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Preliminary Report of the Alberta Taxation
Inquiry Board. 1



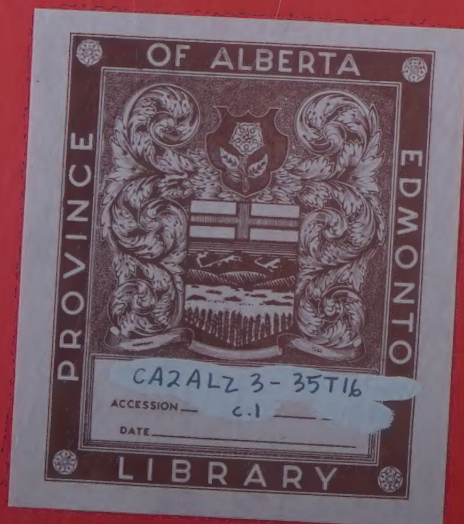
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Alberta. Taxation Inquiry Board,
Preliminary report of the Alberta
Taxation Inquiry Board

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PRELIMINARY REPORT
OF THE
ALBERTA TAXATION INQUIRY BOARD

MARCH 1935.



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Honourable J. Russell Love,
Provincial Treasurer,
Edmonton.

Sir,

I have the honour to present
herewith the Preliminary Report of the Alberta
Taxation Inquiry Board.

Your obedient servant,

A. T. Terivay
Chairman

Edmonton, March 4th, 1935.

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1. INTRODUCTION

The Alberta Taxation Inquiry Board was appointed December 1st, 1933, under Order in Council 951/33 which reads as follows:

"The Executive Council has had under consideration the report of the Honourable the Provincial Treasurer, dated November 28th, 1933, stating that it is expedient and in the public interest that inquiry should be made into the taxation now imposed by the Province and by municipal and other similar authorities pursuant to any power of taxation under any statute of the Province for the purpose of ascertaining by whom all or any of such taxes are ultimately paid, and without derogating from the generality of the foregoing, whether or not any tax or any class of taxes, having regard to the incidence thereof, bears unduly upon any occupational class of persons as compared with any other occupational class or classes or upon the persons residing in urban districts as compared with the persons living in rural districts, and if so, the extent to which all taxes of any tax bears more heavily upon any occupational class to the exoneraton of the rest or upon the residents of urban districts in exoneraton of the residents of rural districts or vice versa, as the case may be:

Therefore, upon the recommendation of the Honourable the Provincial Treasurer, the Executive Council advises that a board be and is hereby appointed, to be known as 'THE ALBERTA TAXATION INQUIRY BOARD', consisting of the following persons, namely:-

| | |
|--------------------|--|
| J. F. Percival, | Deputy Provincial Treasurer, |
| James C. Thompson, | Provincial Auditor, |
| W. D. Spence, | Chairman, Alberta Assessment Commission, |
| J. J. Duggan, | Member, Alberta Assessment Commission, |
| John Gair, | Member, Alberta Assessment Commission. |

whose duty it shall be to proceed to make such inquiry as is hereinbefore more particularly set forth, and for that purpose to do all acts and things as the said Board may deem to be necessary and proper for the purpose of conducting such inquiry or any investigation in connection therewith, and upon the completion of the inquiry to draw up a report and submit the same to the Provincial Treasurer for transmission to the Lieutenant Governor in Council.

The Executive Council further advises, upon the recommendation of the Honourable the Provincial Treasurer, that the said J. F. Percival shall be the Chairman of the said Board, and that Hugh M. Baker be and he is hereby appointed as Secretary of the Board.

The Executive Council further advises, upon the recommendation of the Honourable the Provincial Treasurer, that the reasonable and proper expenses of the Board be paid out of the General Revenue Fund.

The Executive Council further advises, upon the recommendation of the Honourable the Provincial Treasurer, that any service rendered by any member of the board in carrying out any duty hereby imposed on the board shall be deemed to be service incidental to the ordinary employment of that member as a civil servant or a member of the Alberta Assessment Commission, as the case may be, and the person so rendering that service shall not be entitled to any remuneration other than the remuneration payable to any such person in respect of such ordinary employment."

For the purpose of examining the character and scope of the work delegated to it, the Board held several meetings, and in October 1934, public hearings were held in the cities of Calgary, Edmonton, Lethbridge, and Medicine Hat to which, either by correspondence or by advertisements in the press, all interested parties were invited.

From the numerous briefs relating to taxation submitted to the Board at these hearings, many of which are of an exhaustive character, together with verbal representations, it soon became apparent that a widespread interest in the issues reviewed prevailed throughout the Province. It was also evident that there exists a consensus of opinion that the present system of taxation, particularly as it relates to urban municipalities, had serious defects, and that in its incidence owners of real property were heavily and unjustly penalized.

At the various hearings of the Board briefs from the following organized bodies or individuals were presented: -

City of Calgary.
Calgary Public School Board.
Alderman W. A. Lincoln, Calgary.
Alderman J. H. Ross, Calgary.
E. B. Nowers, Calgary.
Calgary Board of Trade.
City of Edmonton.
Edmonton Chamber of Commerce.
Edmonton Public School Board.
Edmonton Civic Government Association.
Edmonton Local Board of Health.
Edmonton Economic Club.
Walter S. Campbell, Edmonton.
Commissioner David Mitchell, Edmonton.
W. A. Gunn, Edmonton.
City of Medicine Hat.
Medicine Hat Chamber of Commerce.
City of Lethbridge, - endorsed by
Lethbridge Board of Trade.
Alberta Association of Municipal Districts.
Union of Alberta Municipalities.
G. Roe, Altario.
H. W. Ford, Bassano.
Vulcan Municipal Hospital District.
Town of Edson.
D. C. McTavish, Sangudo.
C. R. Abott, Lacombe.
Canadian National Railways.
Canadian Pacific Railway.
British Dominions Land Corporation.
Anglo-Western Oils, Ltd.
Alberta Motor Association.
Hudson's Bay Co.
Town of Vegreville.
Canadian Manufacturers' Association, Edmonton.
Milk River delegation.
The Western Stock Growers Association.
Retail Merchants Association (Alberta Provincial Board)
endorsed by Edmonton and Lethbridge Branches.
Canada & Northwestern Farm Co.
P. E. Coldwell, Craigmyle.

2. SUMMARY OF REPRESENTATIONS.

The following is a brief summary of representations made to the Board. It will be noticed that the issues referred to cover an extensive field, but it is felt that all have an effect on the "incidence of taxation", and are therefore entitled to careful examination.

CITY OF CALGARY:

1. Taxation in General:

The burden of taxation is neither equitable, just nor impartially levied, nor (in the case of municipal taxation) is it founded upon any scientific principles.

2. Interrelation of Federal, Provincial and Municipal Governments:

- (a) Municipalities are limited by provincial powers, and by such of those powers as are granted by legislative enactment.
- (b) The federal and provincial field of taxation should be re-surveyed and resubdivided.
- (c) Surrender of Income Tax receipts by Dominion to Province is preferable to abandonment of collection machinery of Dominion Government.

3. Real Property

- (a) Land is no longer evidence of ability to pay.
- (b) The land and improvement tax is in effect a capital levy on a diminishing asset.
- (c) In many cases annual taxes exceed rental returns.
- (d) Present system of taxation of real property discourages home ownership, industrial and manufacturing activity, and investment of capital.
- (e) Taxation of real property should as far as possible be restricted to payments made in return for benefits received.
- (f) The present system of taxation is destroying the basis upon which it is founded.

4. Tax Exemptions:

- (a) In Calgary 21 million dollars worth of property is wholly or partially exempt from taxation.
- (b) No adequate reason exists why all properties should not bear their just proportion of the cost of services enjoyed.

5. Education:

- (a) The complications arising from the presence of non-resident pupils in city schools would disappear if the Province assumed its proper function in the field of education.
- (b) In Great Britain the State contributes 50% of school costs, both current and capital. Calgary's position is rapidly becoming as impossible as it is illogical.
- (c) At present the Provincial Government leaves the financing of education largely to the enforcement of a taxation system as antiquated as it is inadequate.
- (d) Recommended that the Province provide the whole cost of education apart from such subsidies as the Dominion Government may grant, also that school boards present their budgets to the Provincial Executive Council instead of to City Councils.

Representations Cont.
City of Calgary.

6. Social Services:

Property owners should not be expected to provide the cost of those social services which are obviously provincial or state obligations.

7. Licenses:

- (a) Trade licenses should be based upon the cost of regulation and inspection, and one set of regulations and one system of inspection is enough.
- (b) That uniformity in amount and conditions be adopted to minimize present uncertainty and confusion.
- (c) Trade licenses for revenue purposes should be dispassionately reviewed.

8. Business Tax:

This tax has no reference to ability-to-pay, income, assessed value, or profits. With acceptance of responsibility by the Province, and taxation for education, social services, relief and hospitals on scientific principles, this tax could be reduced or possibly abolished.

9. Service Tax:

In lieu of this tax the Provincial Government's contribution in 1934 was \$45,000. The Service Tax was difficult, and its evasions many. With a proper application of Provincial Income Tax receipts, restoration of this tax would be unnecessary.

10. Taxation of Utilities:

The Provincial Telephone System derives its major revenue from Calgary. The Provincial Government should contribute a special franchise tax for its intra-urban telephone system.

11. Arterial Roads:

By way of Gasoline Tax, Automobile and Truck Licenses, Calgary contributes to the Provincial Government over 1½ million dollars. The Government should pay the cost of those portions of provincial arterial highways which pass through the city.

12. Provincial Revenue Derivable from Cities:

An amount close to \$3,000,000 per annum is levied on Calgary citizens by the Province. If the City is to be left with its present obligations, and the Province declines to accept its responsibilities, a greatly increased contribution from the Province to the City is essential.

13. Supplementary Revenue:

The basis of this assessment is arbitrary, and comparatively unrelated to the City's own assessment. If the government accepts responsibilities already indicated, its continuance would be justified.

14. Interest Rates:

Questions relating to reduction of interest rates and municipal financing are recommended to the earnest attention of the Board.

15. Recommendations:

- (a) Acceptance by the Province of the sole financial obligation for education, health, relief and social service.

Representations Cont.
City of Calgary.

- (b) To that end, an increase both upwards and downwards in Provincial Income Tax, Succession Duties and whatever other provincial imposts are or can be scientifically applied.
- (c) In the event of the adoption of (1) the removal from cities of the right to levy any taxes except for strictly municipal purposes.
- (d) The submission of school board and hospital estimates to the Provincial Executive Council, the expenditure of available moneys to be still entrusted to the local boards.
- (e) Subject to the provisions of (1), abolition of or reduction of Business Tax and a readjustment of licenses.
- (f) In the event that (1) is not admitted, the abolition of the Supplementary Revenue Tax, the contribution of a Telephone Utility Franchise Tax, an enlargement of prevailing grants, the Provincial maintenance of arterial roads, a sharing of provincial revenues derivable from the City, become necessary.
- (g) An inquiry into and a revision of prevailing tax exemptions.
- (h) Whatever revision of the B.N.A. Act or of the relations between the Dominion and the Province as may be necessary in the premises.

CALGARY PUBLIC SCHOOL BOARD:

The case of the Calgary School Board is summed up in the following resolutions:

1. That a new financial set-up for the maintenance of public and high schools in the province be established by the Provincial Government, including special financial provisions for the increased enrolment in our high schools due to present industrial and economic conditions.
2. That the cost of instruction of non-resident pupils be made a direct provincial responsibility.
3. That in the revision of our present system of taxation for school purposes, a larger measure of financial responsibility be assumed by the Province, and that a large portion of the burden of taxation at present placed upon real property be transferred to other sources of revenue.
4. That we strongly urge upon the Provincial Government the necessity of setting aside for school purposes a substantial portion of the revenues derived by it from the mine, petroleum and other natural resources of the Province, as well as a definite percentage of the revenues received from such taxes as a luxury tax, an amusement tax, an income tax and an inheritance tax, and that from such funds substantially increased grants be made to local school districts throughout the province so that our schools may be placed upon a more secure foundation in regard to the services that they are called upon to provide.

CALGARY BOARD OF TRADE:

1. The rapid increase of tax arrears renders it difficult for municipal authorities to provide for their many financial obligations.
2. In 1933 about 90% of civic revenue was derived from assessments of real estate and business taxes. A tax on real estate becomes inequitable when it fails to leave a net revenue sufficient to provide a reasonable return on capital value. Where it so fails, the tax amounts to a capital levy, and if continued would eventually result in confiscation.

Representation Cont.
Calgary Board of Trade.

3. The City has to assume an ever increasing burden of social services not necessarily related to the property-owning taxpayers, and it is not logical that such persons should alone bear this burden.
4. In such times as exist today it is impossible for owners of rented homes and apartment blocks to pay taxes from the rents of same.
5. The province has trespassed on sources of income primarily belonging to civic authorities.
6. A revision of property assessments is necessary so that assessments bear a proper relation to real values and to the revenue producing possibilities of the property assessed.
7. Provincial Government properties within the boundaries of the City of Calgary benefitting by street improvements, civic utilities, and police protection should be taxed on a fair basis including local improvement taxes.
8. With reference to the Provincial Government telephone plant located within the city, a conference with the Provincial Government is suggested leading to an appropriate assessment of this utility.
9. It is suggested that the Provincial Government share with the City the following provincial revenues:- Income Tax, Liquor Profits, Gasoline Tax, Auto Licenses and Amusement Tax.
10. A study of the incidence of taxes on rented homes and apartments to determine whether under present conditions tenants are, through their rentals, bearing a fair share of the municipal burden.
11. A clearer definition of the taxation fields properly belonging to Federal, Provincial and Municipal Governments should be determined.

Mr. E. B. Nowers, Calgary:

1. The present practice of assessing land at one rate, and buildings at another, is unsound.
2. In the collection of taxes throughout the Province, there is a general lack of aggressiveness.
3. The extent to which land is taxed is destroying the value of property and preventing the normal purchase of homes.
4. Theoretically the tenant is presumed to pay taxes, but the proportion paid by the tenant, estimated over a period of years, is very small.
5. In the assessment of lands in the Province, it is of the utmost importance that values on an economic basis be established.

ALDERMAN J. H. ROSS, Calgary:

A "Social Tax" designed to relieve real property of the cost of various social services, and to distribute the burden among all persons and corporations in receipt of income, is suggested. In this brief it is also suggested that the imposition by the Province of a Gross Revenue Tax, payable monthly, and distributed to the municipalities according to local need, would largely solve the present problem of municipal taxation.

ALDERMAN W. A. LINCOLN, Calgary:

This brief urges (a) reduction of Provincial taxation, (b) abolition of the Supplementary Revenue Tax, (c) the claim of the City to a share of revenue derived from the Provincial Income Tax, Liquor Profits, Gasoline Tax, Auto License Fees, Corporation Tax, and Amusement Tax.

Representations Cont.
CITY OF EDMONTON:

1. Broad Objective of Inquiry:

To secure a more equitable distribution of the burden of taxation, and directed especially to relieve the present heavy burden of cost of education, health, social services and national unemployment now unfairly resting on real property.

2. Real Property:

- (a) Real property is immovable and forms a fixed and favourite target for taxation. It is in effect "a capital tax". When taxation is imposed thereon it is an accepted principle that "the value of the side is lowered by a capitalized value of the tax."
- (b) In present depression the final incidence of taxation is on the owner, not on the tenant.
- (c) The tax rate in Edmonton in 1934 was 64 mills. Residences are assessed on the basis of 50% of their value and business premises at 60%. High taxation drives money into other channels of investment, retards building development, produces business stagnation, eventually confiscates property, and diminishes the number of surviving taxpayers. If process continues, total forfeiture is inevitable.
- (d) Tax arrears are accumulating every year. As at December 31st, 1933, arrears, amounted to \$2,130,790. Ownership of real property is becoming a "liability, not an asset". This is largely due to unfair burden of education, health, social services and unemployment relief now so heavily imposed upon this one class of property.
- (e) Supports recommendations contained in the "Harper Report" as follows:

"Place relationship of Province and Municipality in regard to taxation upon clear basis."

"Real property to assume burden of 'beneficial' taxes, the community as a whole to be charged with the burden of 'onerous' taxes."

"Additional civic services should be paid for out of revenues other than those derived from land."

3. Education:

B. N. A. Act places education within provincial sphere. Province fixes standard and qualification of teachers, standard of examinations, rigid inspection and school attendance. School trustees requisition Municipal Councils for money required. Councils legally bound to pay, whether the full levy is collected or not.

4. Health:

Health Services, such as are now required, are national in character, and should therefore be supported out of national funds. Government has divided province into Health Districts in charge of Local Boards of Health. These boards notify Municipal Councils of annual requirements which Councils must supply.

5. Social Services:

Old Age Pensions and Mothers' Allowances are national or provincial services and cannot be regarded as local services. Relief of unemployment should be borne entirely by the National Government. Attention is called to the fact that 25% of persons receiving direct relief from Edmonton moved into the city since the beginning of 1930.

Representations Cont.
City of Edmonton.

6. Tax Exemptions:

Government property, schools, churches and charitable institutions now enjoy exemption from taxation. The value of these exemptions amount roughly to \$18,000,000. The cost of the services enjoyed by these exempted properties is carried by a diminishing number of property owners.

7. Recommendations:

- (a) That the Provincial Government withdraw from the taxation of land.
- (b) That the Income Tax be under one control, be made more productive and be partly used to relieve municipal taxation.
- (c) That exemptions of property from taxation be considered with a view to reduction.
- (d) That a scheme of refunding public debt at lower rates of interest be adopted.
- (e) That consideration be given to the issuance and use of public credit as a source of capital to meet expenditures involved in the support of various public services.

EDMONTON CHAMBER OF COMMERCE:

- (a) Reasonable economy is a fundamental necessity.
- (b) A proper balance of all forms of expenditure is only attainable by having the spending done by the authority which is responsible for raising the revenue.
- (c) Recommends that the powers of School Boards, Health Boards, etc., to demand a certain sum from a taxing authority without the latter having any control should be restricted.
- (d) Agrees with the brief presented by the City of Edmonton that the present municipal taxation, based as it is so largely on real estate, is exterminating that base.
- (e) Education, health (in its wider aspects) and social services, such as Mothers' Allowances, Old Age Pensions and Unemployment Relief are either national or provincial obligations. The presumption is that a service is national, or provincial as the case may be, when the state insists on its being carried out in accordance with its own standards.
- (f) Urban lands have to bear an unfair and crushing burden in support of services of a provincial and national character.
- (g) The superior Governments possessing as they do wider powers of taxation and greater means of credit should at once relieve municipalities of a substantial portion of the burdens now borne by them.

EDMONTON PUBLIC SCHOOL BOARD:

The financing of education is in a most precarious state.

Revenues and school expenditures in the City of Edmonton for years 1932 and 1933 were as follows:-

| | 1932 | 1933 |
|-------------|----------------|----------------|
| Revenue | \$1,457,476.70 | \$1,431,683.03 |
| Expenditure | 1,434,888.88 | 1,415,174.07 |

Representations Cont.
Edmonton Public School Board:

The distribution of one dollar of expenditure and revenue for the past three years is as follows:-

| <u>Revenue</u> | | | |
|----------------------------|-------------|-------------|-------------|
| <u>Item</u> | <u>1932</u> | <u>1933</u> | <u>1934</u> |
| Government Grants | .06 | .06 | .06 |
| Employees' contribution to | | | |
| Unemployment Relief | .045 | .06 | .06 |
| Miscellaneous | .02 | .01 | .02 |
| Tax Levy | .875 | .87 | .86 |
| | ----- | ----- | ----- |
| | 1.00 | 1.00 | 1.00 |

| <u>EXPENDITURE</u> | | | |
|------------------------------|-------|-------|-------|
| Debenture & Interest Charges | .195 | .19 | .19 |
| Taxes, insurance, fuel, etc. | .04 | .04 | .04 |
| Salaries | .71 | .72 | .71 |
| Operation & Maintenance of | | | |
| buildings & equipment | .035 | .03 | .035 |
| School & medical supplies | .02 | .02 | .025 |
| | ----- | ----- | ----- |
| | 1.00 | 1.00 | 1.00 |

As the cost of education is strictly chargeable to land (except that portion derived from government grants) it will be seen how excessive the burden must be on one type of property.

With an educational expenditure for the year 1933 of \$1,415,174 the Government's contribution by way of grants amounted to \$96,606.

The solution of the problem now being reviewed appears to be either (1) the establishment of a single taxing authority with a corresponding control or (2) the initiation of a co-ordinated system. The latter is favoured. The three taxing authorities should get together and determine upon "spheres of responsibility" and "spheres of taxation". Until this is done there will be marked overlapping and the "incidence of taxation" will continue to be unjust.

The Federal Government indirectly has a responsibility in connection with technical training and has already established a precedent of making grants to the Provincial Department of Education in aid of same. These grants ceased three or four years ago. The technical efficiency of its citizens is closely related to trade and industry and its encouragement should be a logical concern of the Federal Government. An urgent demand should be made for the restoration of these grants. Technical education is very expensive. At the Edmonton Technical School the per capita cost in 1932 was \$176.11. At the Calgary Technical School \$211.37. For academic high schools the corresponding figures were \$116.96 and \$116.64. For commercial high schools \$106.81 and \$103.10.

The Taxpayers in the Cities of Edmonton and Calgary combined spend more money in elementary and secondary education than the Department's appropriation for education over the entire province.

RECOMMENDATIONS: EDMONTON SCHOOL BOARD

1. The Board recommends that in keeping with constitutional responsibility, the Province to assume the entire responsibility for the operating and financing of public schools, or,
2. The province to appoint all teachers and assume responsibility for the payment of salaries in accordance with a province-wide schedule, the local municipality being responsible for the balance of operation cost, or,

Representations Cont.

Recommendations: Edmonton School Board

3. Let the Province share on a 50-50 basis in financing the cost of secondary education. At the present time the main task of our high schools is the non-professional training of teachers to staff the province's schools, or,
4. Let the Province make an all round substantial increase in all its school grants, and make substantial subventions towards the erection of school buildings.
5. A service tax for education should be imposed, thus ensuring an equitable contribution from all who benefit.
6. Publicly owned utilities should be included in the public school tax panel and be required to contribute to the School Board an amount in school taxes equal to what they would be required to do if belonging to private corporations.
7. The Amusement Tax should be a local tax and as recreation is associated with education, this tax should be allocated to the financing of education within the sphere from which it is obtained.

CIVIC GOVERNMENT ASSOCIATION OF EDMONTON:

Due to increased taxation the financial position of Edmonton is now precarious.

The City should bend every effort to effect sales of properties forfeited for non-payment of taxes. A Department should be created and an aggressive policy adopted.

The Supplementary Revenue Tax should be repealed.

Social Services should not be burden upon land, which should only bear the cost of such services as are direct benefit to it.

A share, not less than one-quarter of the Income Tax, Liquor Profits, Gasoline Tax, Motor License Fees and Amusements Tax should be returned to the City.

A vigorous tax collection system would have beneficial results. Monthly payment of taxes would not only educate a person in the payment of his taxes, but would provide the city with funds during the first half of the year and avoid bank borrowings.

Government commercial enterprises, such as liquor stores and provincial telephone offices, now carried on for profit, should be subject to the same business tax as private commercial enterprises.

In all future city borrowings it is urged that the City finance on the serial bond plan.

EDMONTON ECONOMIC CLUB:

The application of a municipal income tax, fairly and justly applied, is well nigh impossible. Provincially it is fraught with many difficulties. In the Dominion field it meets a minimum of obstacles.

Education should be looked upon as a provincial problem entirely. The placing of almost the entire burden on real property, instead of making it a first function of government drawing its revenue from all sources, is a startling weakness in our educational structure, and one which should be speedily corrected.

All social services such as Mothers' Allowances, Old Age Pensions, Workmen's Compensation, Minimum Wage, etc., be turned over to the administration of the Federal Government, such services to be treated as a Federal responsibility.

Representations Cont.
Edmonton Economic Club

The assumption of responsibility for education by the Province would increase provincial costs and lower municipal. The right of the Province to obtain increased revenues from urban municipalities would have to be recognized and the beneficial results and economies effected would more than justify the change suggested.

The Provincial Government should test the validity of its right to institute a Hospital Sweepstake so that the national instinct for sport and play may be used to alleviate suffering by retaining for such service large sums of money now leaving the Province in connection with sweepstakes.

EDMONTON LOCAL BOARD OF HEALTH: Re: Tuberculosis

It is suggested that free treatment be provided for all residents of Alberta who suffer from tuberculosis, and that the cost be distributed equitably over the population.

At present the patient is required to pay \$1.50 per day, the Provincial Government assuming the remaining portion of the operating cost, about 85¢.

An unsatisfactory aspect of the existing arrangement is that the victim too often delays the necessary treatment because if he is a bread winner his income stops. The result is that many carry on until they are simply forced by their physical condition to give up. Then it is either too late to be cured, or the cure can only be obtained at a much greater expense.

In the Province of Saskatchewan there is a Commission known as the Saskatchewan Anti-tuberculosis League. It is responsible for the administration and operation and, among other things, for the apportionment of the necessary levies in the Province.

In that Province the present scheme requires the cost to be divided and charged as follows: - 40% against urban municipalities, and 60% against rural, each being required to pay its portion of that respective division in accordance with its total assessment. By utilizing assigned beds in approved hospitals, Alberta could adopt a scheme such as the one referred to without additional capital expenditure in sanatoria.

In the last five years, the City of Edmonton paid to the Central Alberta Sanatorium \$93,677 and has collected from its patients \$18,843.

This recommended plan is in keeping with the principles of health insurance adopted by the Alberta Legislative Assembly.

WALTER S. CAMPBELL - Edmonton

Advancing mill rate in Edmonton results in increasing forfeiture of lands. Taxpayers in city decreasing annually, number at present estimated to be 18,000. Decrease results in additional tax burden on survivors.

The objectives to be aimed at are (1) taxation distributed more equitably; (2) forfeited lands and homes returned to private ownership; (3) the encouragement of building homes with employment and purchasing power increased; (4) the strengthening of the financial position of the city.

To reach these objectives taxation must be spread over all citizens who enjoy benefits of services. At present there is one employed non-taxpayer for every one taxpayer.

Tenants do not generally pay taxes in the form of rent. After deduction of taxes, insurance, depreciation and maintenance, not five per cent. of rented homes now pay three per cent. of capital investment to owners.

Representations Cont.
Walter S. Campbell - Edmonton.

All voters should be taxpayers. Taxation in Edmonton must cover a broader field and be collected from those who produce and are able to pay.

Interest rates on bonds should fluctuate in relation to changing costs of commodities.

CITY OF MEDICINE HAT:

1. In view of restricted sources of taxation now available to municipalities, revision of the whole field of assessment and taxation has become urgent.
2. The responsibilities forced upon municipalities by Acts of the Legislature are regarded by this City as either provincial or dominion obligations.
3. If the Provincial Government declines to take over the financing and administration of social services, the cost of which is now largely borne by municipalities, new municipal sources of revenue must be found.
4. Education, health, relief and other social services are primarily obligations of the Province.

MEDICINE HAT CHAMBER OF COMMERCE:

1. No part of social services of a national character should be made a burden upon municipalities. Except for trifling grants, the whole burden of education is now laid upon land in every municipality and it has become more than land can bear. The service of education should no longer be mainly a matter of local concern but should be within the jurisdiction of the Department of Education, not only in respect to its general programme, but also in respect to the raising and allocation of the necessary funds.
2. There are many people who enjoy all the benefits which Medicine Hat has to offer without contributing anything whatever to the revenue of the city. Such individuals, whose assets are concealed, exist in large numbers throughout the Dominion.
3. The Dominion Government should surrender its Income Tax to the Province, the latter to extend the operation of this tax to larger and smaller incomes.
4. That a clear definition of the rights and responsibilities as between the Federal, Provincial and Municipal authorities has become imperative.

CITY OF LETHBRIDGE:

1. Real Property:

- (a) Present system of municipal taxation is fundamentally wrong. Property taxes are too high and owners pay a disproportionate share of municipal taxation.
- (b) Property owners must bear the burden of all social legislation costs imposed upon them by the Provincial Government.
- (c) Increased taxation is fast making property a liability instead of an asset, retards building and developments, and the small home owner is in serious jeopardy of losing his home. Confiscation of homes cannot be allowed to continue.

2. Gasoline Tax:

Urban centres contribute most of the revenue derived from this tax. A large number of automobiles in the Province are used to a great extent on city streets, but no portion of the Gasoline Tax or Auto License Fees is returned to urban municipalities.

Representations Cont.
City of Lethbridge

3. Telephone Department:

- (a) Telephone rates were increased in 1926. In view of the large decrease of subscribers since that date, city users are entitled to a reduction.
- (b) Urban centres have contributed to the Province more than their proportionate share for this service.
- (c) Rates for rural subscribers were or are less than half of the actual cost.
- (d) Special discounts are given to rural subscribers in arrears with no such privilege given to urban subscribers.
- (e) The Department uses the streets of Lethbridge without charge. If the Provincial Telephone System were privately owned, the City of Lethbridge would receive thousands of dollars annually in taxes.

4. Income Tax:

This tax bears more heavily on the city wage earner than it does upon men earning their living on the food-producing farm.

5. Provincial Revenues:

A share of the revenues obtained by the Province from Income Tax, Amusement Tax, Liquor Profits, Gasoline Tax, Corporation Taxes, Licenses and Unearned Increment Tax should be returned to the municipalities.

ALBERTA ASSOCIATION OF MUNICIPAL DISTRICTS:

It is recommended: -

- 1. That the field of taxation as between the Province and Municipalities be more clearly defined.
- 2. That all assessments on lands, improvements and business be considered as belonging exclusively to the field of municipal and school taxation.
- 3. That improvements and business in hamlets, villages, towns and cities be subject to tax levies for all purposes.
- 4. That improvements on all parcels of not more than five acres in any hamlet be subject to taxation for all purposes.
- 5. That the interest of the lessee in any lands leased from the Province situated within organized territory be made subject to the same taxes as those of any other ratepayer therein.
- 6. That a scheme of hail insurance applicable to the whole Province be considered.
- 7. That a scheme of Provincial Industrial Homes for the aged and infirm be considered.
- 8. That a scheme similar to that in force in Saskatchewan whereby all tuberculosis patients receive free treatment be considered.
- 9. That a compulsory contributory health scheme be considered.
- 10. That the responsibility for the care of neglected children and mentally deficient be assumed entirely by the Province.

UNION OF ALBERTA MUNICIPALITIES:

1. Real Property:

The taxation of real property, particularly in the large urban centres has reached a stage of confiscation.

Representations Cont.
Union of Alberta Municipalities.

2. Relief of Unemployment:

Unemployment is national in character, and the cost should be borne by the Federal Government.

3. Public Health:

Health is national in character. The Provincial Government has divided the Province into Health Districts and has placed them in charge of local Boards of Health. Municipal Councils are notified of the annual requirements and must furnish the amount requisitioned.

4. Education:

The Province has fixed the standard and qualification of teachers, the standard of examinations, school attendance and maintains them by rigid inspection. School Trustees requisition the Municipal Councils for the amount of their requirements and the Councils are legally bound to pay whether the full levy is collected or not. Municipal Councils have no voice or control. Since the B. N. A. Act was enacted, the character of education has materially changed. The trend towards technical and vocational training has an aspect of national value and liberal contributions to this type of service should be made by the National Government.

5. Social Services:

Old Age Pensions, Mothers' Allowances and national unemployment relief are national or provincial services. The burden of cost is thrown mainly on one class of property - land and improvements - and urban municipalities consider this a proper and just cause for protest.

6. Recommendations:

- (a) That the basis of all taxation should be that of "ability to pay".
- (b) That the Income Tax Schedule be increased and be collected by one authority, and its revenue allocated to municipalities on a per capita basis.
- (c) That a special tax be imposed on all interest and dividends and be collected at the source.
- (d) That urban municipalities be empowered to impose a tax on trucks and busses doing interurban and inter-provincial transportation business.

J. FITZALLEN - Member of Special Committee,
Union of Alberta Municipalities.

1. Real property should be taxed to meet the charges arising from Municipal services which contribute to the earning power, utility or value of such property.
2. For purposes of social services, a tax on income constitutes the only sound source of revenue for the following reasons: (a) that it is essentially non-confiscatory; (b) that it is only operative against those having ability to pay; (c) that it operates equitably against income derived from all sources; (d) an income tax is so graduated as to bear most heavily on those enjoying large incomes.
3. The Provincial Government through its Income Tax Department should act as a levying and collecting agent for urban municipalities.

Representations Cont.
Union of Alberta Municipalities.

4. The present method of assessing improvements on real property is faulty and confiscatory. The basis of assessment should be investment value rather than replacement value.

CANADIAN NATIONAL RAILWAYS:

Business Tax:

This Company takes no exception to the imposition of a Business Tax, but protests against the varying rates of taxation as applied to certain classes of business in the Cities of Edmonton, Red Deer and Wetaskiwin.

In Edmonton the tax rate varies from 6% covering manufacturers' workshops, repair shops, etc., to a maximum of 25% covering railways, banks, telegraph offices, etc.

There is no justification for assessing railway roundhouses, workshops, and repair shops at 25% when a rate of 6% is effective when such shops are operated by persons other than a railway company.

A similar comparison is made in respect to the company's down-town office. Against it is assessed a business tax of 25% of the rental value, while a merchant, in the same building is charged only 10%.

When an assessment has been determined, whether for land, buildings or business, a uniform rate of taxation should apply and nothing can justify a discriminatory varying rate of taxation.

A uniform rate of levy in respect to business tax is in force in the Province of Ontario, Manitoba, and Saskatchewan.

Suggest that in respect to the Business Tax one City Act for use in all cities in the Province be adopted, and that it be based upon rental values and that a uniform rate of taxation not exceeding the general municipal rate be applied.

CANADIAN PACIFIC RAILWAY COMPANY:

1. General Earnings:

- (a) Gross earnings of the company in 1928 amounted to \$229,039,296, and in 1933 \$114,269,688 - a decrease of 51.5%.
- (b) General railway taxation in Alberta reveals a progressive increase from 1924 to 1932, taxation in 1924 being \$294,029.91 and in 1932 \$354,957.03 - or an increase of about 20%.

2. Motor Busses and Trucks:

- (a) Shrinkage in railway earnings, while attributable in part to the depression, is in large measure due to the competition of motor busses and auto trucks.
- (b) It is unfair to the Railway and Express Companies that as general tax payers, with decreased revenues, they should be expected to contribute to the construction, maintenance and operation of highways for the use of trucks and busses which are depriving the Railway and Express Companies of a large part of their revenues.
- (c) Railways have invariably borne the burden of developing virgin or unsettled territory. Once the territory is settled, a demand arises for better highways, and when these are built bus and truck competition follows.
- (d) These considerations are pointed out to show that the comparative bases of taxation on railways on the one hand, and busses and trucks on the other, are unfair to the former, having regard to the benefits enjoyed by bus and truck operators at the expense of the general taxpayer.

Representations Cont.
Canadian Pacific Railway.

3. Telegraphs:

- (a) In its telegraph service the railway company has suffered serious inroads from the competition of the Alberta Government Telephone System, which is free from provincial and municipal taxation. This is an important element to be considered in the taxation of Telegraphs.
- (b) The revenue of the C. P. R. Telegraphs has decreased 32.8% from 1926 to 1933. In 1925 the taxes were \$4,266.52 or .91% of revenue. In 1933 the taxes were \$4,416.25 or 1.32% of revenue. The rate of taxation in 1933 is nearly 40% higher than in 1925.
- (c) The C. P. R. Telegraphs in addition to paying taxes to the Provincial Government under The Corporations Taxation Act, pays business taxes on its branch telegraph offices in the cities.

4. Express Companies:

- (a) The revenue of the Canadian Pacific Express Company in 1924 was \$2,228,377, and in 1933 \$1,399,732. The taxes paid in 1924 under The Corporations Taxation Act amounted to \$4,330 and in 1933 to \$4,972.
- (b) Railway Companies are bound by law to provide accommodation for both passenger and freight traffic at stations and on their trains. The intermediate stopping places of busses are usually hotels which, because of the business the busses bring, charge nothing for waiting accommodation.
- (c) While busses and trucks pay license fees and gasoline tax, their contribution is negligible in proportion to the cost of construction and maintenance of the highways over which they travel. Not only have the railways to acquire land for right-of-way and to build and maintain their own road-bed, they are also required to pay taxes on same to municipalities and school districts as well as to the Province.

5. Recommendations:

- (a) The Company recommends bus and truck companies and individuals should only be allowed to operate under special franchise for which a substantial fee should be paid to the Government.
- (b) Uniformity of principles of assessment and rates of taxation in connection with railway company properties should be established throughout the Province. It may be pointed out in support of this plea that taxation in two towns of the same size and population vary widely in consequence of their different financial needs and are subject to changes resulting from new councils periodically taking office, and that the policies and views of assessors in respect to the value of property in towns, villages and municipal districts are as numerous and varied as the assessors themselves.

HUDSON'S BAY COMPANY:

1. General:

Real property should be required to pay by way of taxes: (a) 100% for works or services directly beneficial to such property, and such taxes may be classified as "beneficial".

- (b) In proportion along with other forms of wealth for works or services of general benefit to the community or society at large. These may be classified as "onerous" taxes.

The British method of taxing real property is worth study to see if it could, in some measure, be adopted in Alberta. In England potential values are not considered. The use of land at the time of assessment is the basis of taxation.

Representations Cont.
Hudson's Bay Company.

To avoid ambiguity with its consequent misunderstanding between the assessor and the assessed, the basis of all assessments should be clearly defined.

Real property as a basis for taxation was adopted hundreds of years ago because it was a fair indication of income. It is no longer a proper basis for equitable taxation.

The basic principle in assessment is that land and improvements be subject to assessment on the basis of actual value.

The mill rate should be the best evidence to the taxpayer of the financial position of the municipality.

2. Cities:

In establishing the assessed value of improved property, due consideration should be given to the following factors:

- (a) Reproduction cost less depreciation.
- (b) Obsolescence or over-development.
- (c) The extent to which buildings enhance the value of land.
- (d) Capitalized net income.
- (e) Market value.

Under existing conditions tenancy is cheaper than ownership, and this is due to excessive taxation.

3. Rural Municipalities:

Many school districts make their own assessments and levy their own taxes, thus duplicating much of the work done by the assessor and tax collector. The municipalities should make the assessment and include in the taxes the amount required for school purposes. This is done in Manitoba and Saskatchewan and results in administrative economies.

Mill rates for school purposes vary from 5 to 25. Departmental officials should be given more authority in creating and determining their financial administrative problems.

Certain areas used for stock raising on Government grazing leases pay a rental of 2¢ per acre plus taxes of 2¢ per acre. An arrangement should be made whereby private grazing lands would be taxed on the same basis as Government lands.

A start should be made in assessing improvements on farm lands so that taxes may eventually be levied on the full value.

Whatever justification there may have been for The Wild Lands Tax Act, the reasons for its continuance have long since disappeared.

Land is no longer held at speculative prices. The imposition of The Wild Lands Tax has, in the past few years, been the important factor in leading to the abandonment of lands and consequent loss of revenue to schools and municipalities.

British Dominions Land Settlement Corporation Limited:

Wild Lands Tax: All justification for The Wild Lands Tax has gone. The revenue obtained from this tax has declined to a negligible amount, and the recognized principle of equity and justice warrant the immediate abolition of the Act.

Representations Cont.

ANGLO-WESTERN OILS LIMITED:

Mineral Tax: Section 2 of The Municipal Districts Act was amended in 1950 as follows: "'Mineral' shall include coal, but shall not include natural gas, petroleum gasoline, or any oil of mineral nature."

The amendment, exempting mineral oils and gas, narrows the application of the Act to coal, unless it be assumed that Alberta farm lands contain the more valuable minerals.

The Act throughout refers to minerals, no reference is made to mineral rights. The interpretation of the Act, that it refers to known minerals, has been confirmed by opinion of Counsel.

It is difficult to see how it can be interpreted to mean anything other than minerals in place - known to exist - and capable of being scientifically measured, in order that fair actual value may be established as required by the Act.

The statute says that municipal councils and assessors may, in their absolute discretion, decide, - (a) whether minerals shall be assessed or not; (b) whether minerals shall be assessed as parcels separate from the land (irrespective of whether surface and minerals are vested in one ownership or several); (c) whether minerals shall be assessed with the land as one parcel.

The intention of the statute that the presence of minerals must be established before they can be assessed is quite clear.

The wide discretionary powers given to municipal councils result in unintelligent assessment and unfair taxation.

The Act is intended to apply to minerals known to exist. An entirely different interpretation is adopted by Municipal District Councils. At present assessments are evidently based on the assumption that whole areas are underlaid with assessable mineral, and that the Act gives power to tax mineral rights without any evidence of the existence of minerals.

If the Act means what it says, it is submitted:

- (a) That assessment and taxation of mineral rights by Municipal District Councils is contrary to the wording and intention of section 286, clause 5, of the Municipal Districts Act.
- (b) Municipal District Councils have no legislative authority to assess and tax mineral rights, and are exceeding their powers given under section 286, clause 5 of the Municipal Districts Act.
- (c) That all assessments and levies on mineral rights in past years being irregular should be revoked.

Should the Act be interpreted as giving power to assess and tax mineral rights it is submitted:

- (a) That assessment and taxation of mineral rights should only apply when the presence of mineral, of merchantable value, in or under each separate quarter-section is proven.
- (b) That the onus of proof of the presence of mineral should lie with the taxing authority.
- (c) The owner of mineral rights should not be required to prove the absence of mineral in order to escape taxation based on no sounder foundation than the assumption of its presence.

WESTERN STOCK GROWERS' ASSOCIATION:

Taxation on the Short Grass Plains:

The difficulties at present experienced by those engaged in cattle and sheep production on the grazing lands of Alberta and Saskatchewan are not entirely attributable to depressed prices which have

Representations Cont.
Western Stock Growers' Association.

prevailed since 1900, but are due in large measure to a combination of unfavourable conditions associated with the development of the grazing lands over a period of years.

In 1931 cattle barely met their operating costs, the rate of return of the capital invested being 0.83%.

In order to obtain a return of 6% interest on capital, it is necessary to secure at least 6¢ per lb. for beef. Market prices for feeder cattle for the past four years is approximately half of this.

Figures for the period from 1929 show that the average rate of return on the capital invested on 80 sheep ranches, with approximately 200,000 sheep, was 0.68%. 1934 returns show a slight improvement.

Lease rentals and taxes and other taxes referring to leased lands amount to 15.83% of the actual cash expenses of a cattle ranch.

Taxation charges alone amount approximately to 25% of the returns received for all ages of cattle at present prices. Among the recommendations are the following:

- (a) A rate of taxation that stockmen can afford to pay.
- (b) That a flat rate of rental and taxes be levied on all grazing lands and collected through one agency.
- (c) That consideration be given to rates of taxation in relation to those in vogue in other beef and mutton producing countries.
- (d) That taxes be levied according to the productive value of the land rather than according to fictitious values.

CANADIAN MANUFACTURERS' ASSOCIATION (ALBERTA BRANCH):

1. General:

- (a) In recent years the ratio of taxation to overhead expenses in connection with industry has increased to an alarming extent.
- (b) National, Provincial and Municipal taxation has permeated the industrial fabric requiring not only continuous cash disbursements, but an ever increasing outlay for accounting, clerical and technical assistance.
- (c) The imposition of further intolerable burdens on industry and commerce must be relieved by the adoption of a policy of greater economy in connection with Provincial and Municipal Governments.
- (d) More co-operation between the Province and the Dominion and between the provinces themselves is desirable to promote uniformity in method and time of making returns, in reducing collection expenses, and in preventing double or multiple taxation.
- (e) The primary object in any investigation into taxation must be to ascertain what surplus exists in any business after payment of all legitimate expenses has been made.
- (f) Having ascertained the average surplus, the amount should be capitalized on the basis of a reasonable gross return to the owner and the capital value thus ascertained should be the assessed value of the business for taxation purposes.
- (g) It should be a fixed principle that the aggregate taxation should not reduce the net return to the owner to a point that does not provide for depreciation and a reasonable rate of interest on the capital invested.

Representations Cont.

Canadian Manufacturers' Association (Alberta Branch)

2. Income Tax:

- (a) The prevailing practice of enacting overlapping taxation especially in the income tax sphere, is such as to require the immediate attention of the Government.
- (b) Having regard to the existing Federal Income Tax, the Alberta Income Tax, both as to individuals and corporations, is excessive.
- (c) The Provincial Income Tax should be abolished and the Dominion Income Tax continued in behalf of the Province.

3. Corporations Tax:

- (a) The Provincial Corporations Tax is levied on the basis of 40¢ per thousand dollars of authorized capital, plus 10% surcharge tax.
- (b) This tax is levied not on the paid-up capital of the company but on the authorized capital. Except in so far as the capital is actually paid up the present levy is based on pure fiction.
- (c) It is urged that steps be taken to have the Alberta Corporations Taxation Act amended so that the tax will be based on paid up capital instead of on authorized capital.

4. The Companies Act:

- (a) The new device adopted by the Alberta Government to enforce registration under The Alberta Companies Act, and subsequent payment of the Corporations Tax by Extra-Provincial Companies, non-resident in the Province, upon business obtained by non-resident travellers or agents is the most objectionable and impracticable form of taxation hitherto attempted. Enforcement in certain cases is resulting in total withdrawal of business by some of the concerns affected.
- (b) Alberta is the only province that has adopted legislation by which it seeks to obtain a levy from companies outside its jurisdiction.
- (c) Every encouragement should be afforded to foreign companies to locate in the Province.

5. Surcharge Tax:

As a measure of relief to over-burdened industries this additional tax should be repealed.

RETAIL MERCHANT'S ASSOCIATION OF CANADA (ALBERTA PROVINCIAL BOARD):

- (a) It is submitted that an unfair share of taxation is now imposed on retail merchants resident and operating in cities, towns and villages with little protection against the competition of those firms whose system of operating enables them to escape many of the charges levied against local resident retail merchants.
- (b) Due to the nature of their business resident retail merchants must be centrally located. Their lands and buildings are usually highly assessed involving heavy taxation. Not only does he pay property taxes or rent, he also pays business tax, numerous licenses, heat, light and water, insurance and workmen's compensation, extends credit and contributes to the community enterprises.
- (c) These various forms of taxation add to the cost of doing business.

Representations Cont.
Retail Merchant's Assn.

- (d) In Alberta there has developed a system of distribution by hawkers, pedlars and transient traders whereby efforts are being made to avoid local operating costs.
- (e) House to house canvassing is not confined to cities. With good roads it is found easy to canvass customers in the smaller towns villages and rural communities.
- (f) The competition of mail order houses with headquarters outside the Province is another menace to the local merchant. It is estimated that \$15,000,000 went out of Alberta in one year to mail order houses. To permit this annual drain without requiring an adequate return in the form of taxation from these outside firms is obviously unfair.
- (g) An analysis of the amount contributed by retail merchants to the various Governments by way of direct and indirect taxation would show that it far exceeds that paid by any other group of citizens.
- (h) In the interest of the business of retail distribution the present system of licensing requires to be examined to ascertain what can be done to prevent hardship or an unfair burden being placed on any one section of the people.
- (i) It is imperative that many existing licenses be abolished, and that the business tax be assessed on a more equitable basis.

ALBERTA MOTOR ASSOCIATION:

- (a) A license fee should be imposed sufficient only to cover the cost of administration and regulation of motor vehicles.
- (b) The cost of highway maintenance, interest and sinking fund should be provided through the Gasoline Tax or Fuel Tax.
- (c) The motor vehicle owner in the Province is bearing more than a fair share of taxation. Besides being subject to the ordinary general taxes, direct and indirect, he is required to pay in respect to his motor vehicle large part of the provincial revenue.
- (d) Since 1927 he has never paid less than 43 $\frac{3}{4}$ % of the total provincial revenue derived from tax collections.
- (e) The revenue from motor vehicle owners has greatly exceeded all the money spent on roads since the Province commenced its programme of main highways suitable to motor vehicles.
- (f) A heavy license fee prevents the operation of many cars and a heavy Gasoline Tax has the same effect.
- (g) If the Gasoline Tax is used for general purposes all users ought to pay this tax and refunds for industrial purposes should be abolished.
- (h) A change in the license year from January 1st to December 31st to April 1st to March 31st would result in greater revenue to the Province.

TOWN OF VEGREVILLE:

Total expenditure of the Town of Vegreville in 1933 amounted to \$75,890. 92% of which was provided by imposts on real property. If Business Tax Levy were included they would represent 98% of the total expenditure. It is submitted that the present system is inequitable and confiscatory.

The underlying cause of the condition from which we suffer is the improper placing of the tax burden of social services on real property.

Representations Cont.
Town of Vegreville.

For purposes of social services a tax on income is the only sound source of revenue.

While believing that the relief of unemployment is properly a Federal responsibility and recognizing the constitutional difficulties that exist the Town recommends:-

- (a) That the Provincial Government relieve the municipalities of burdens now imposed by legislation and that the Province bear them by increase in its Income Tax levy, or
- (b) That the Provincial Government, through its Income Tax machinery, collect for urban municipalities such sums as may be required to cover the cost of the social services now borne by them.

It is submitted that the method of assessing improvements on real property is confiscatory. Investment value of improvements is a sounder basis of taxation than replacement value.

TOWN OF EDSON:

Excessive borrowing by public authorities puts a mortgage on taxable property and withdraws from the market money which would otherwise be used for business.

Education:

Land and improvements cannot continue to bear the ever increasing expenditure of this service.

Social Services:

Too great a burden is placed on real property to cover the cost of these services.

Recommendations:

The Town Recommends:

- (a) That legislation should cease to add to the functions involving further cost to municipalities.
- (b) That the Supplementary Revenue Tax is an invasion of the field belonging to municipalities whose income is already insufficient for the duties imposed upon them and should therefore be abolished.
- (c) That the cost of public education exceeds what can legitimately be charged to real property and should therefore be reduced.
- (d) That the cost of hospitalization added to taxes falls partly on those who are no better able to bear it than many of the recipients of this service, and it is suggested that the Province bear half the cost of ordinary cases and the Dominion bear the whole cost in connection with tuberculosis cases.
- (e) The separation of the values of real estate for certain purposes of site and improvements is a practice that is now unsound. In view of the progress of taxation, sites have practically ceased to have any value apart from a known prospect of using them. It would be better and more equitable to assess the whole value in one sum than go through the pretence of assessing a site value which for the most part does not exist, and a proportion of the value of improvements which is practically the full value of the whole.
- (f) In view of the financial condition of municipalities it would be fairer to assess property on a revenue basis as is done in older countries. In placing a capital value assessors should be instructed to take into consideration possibilities of revenue.

Representations Cont.

VILLAGE OF ENTWISTLE:

This Village finds itself in a position where it has become impossible to comply with the law in respect to the care of indigents. For more than ten years all its revenue, except actual necessary expenses, has gone for indigent relief. Under present conditions nearly all its population belong to that class.

The village has become liable for bills for persons whose relatives would and could have made provision for them had they not known that the Village was liable.

Provident individuals cannot forever support those who live beyond their means and who make no effort to provide for the future welfare of themselves and their families - a course which the present law gives them every encouragement to follow.

With an income from taxes of between \$700 and \$800 a year, and with indigent relief bills amounting to \$988 for 1933 and \$1,535 for ten months of 1934, the council has decided that future orders for indigent relief should be payable only after existing accounts for relief have been paid.

HENRY W. FORD, C.A.

Composite Municipal District Scheme:

Recommends the formation of larger municipal districts. Outlines an area with Bassano as centre, where scheme could be tried out, embracing four public services. Make area a self-governing unit in respect to municipal, educational, hospital and public health services.

Administration:

A Council of five persons would tend to greater efficiency and lower costs. Secretary-Treasurer or Clerk given executive powers subject to statutory limitations and policy of council.

That the school inspector would be responsible for the engaging of the teaching staff and function in lieu of school boards subject to policy of council.

Assessment and Taxation:

All rural lands to be classified under five headings, viz., A, B, C, D, E., according to possible productivity.

Urban lots to be classified under two headings, business and residential, and subdivided into classes according to desirability of location.

A basic rate per acre to be set for each class of rural land, and a basic rate per foot frontage for each class of urban land.

The Wild Lands Tax to be abolished.

Collection and Accounting:

Present form of accounting for tax collections is both cumbersome and unnecessary.

Suggests budgeting for all branches or departments of the district adding thereto Government requisitions for police, public works, judiciary, etc., and levy one tax against each class of land.

Periodical apportionment of tax collections pro rata with original requisitions.

VULCAN MUNICIPAL HOSPITAL DISTRICT:

This District includes portions of five municipalities and one local improvement district.

Representations Cont.
Vulcan Municipal Hospital District.

The levying of taxes by mill rates based on assessment of different units results in great inequality in taxation.

The local improvement district was induced to join the Hospital District on the promise that, under the scheme, the Hospital tax would not exceed 3¢ per acre.

In the Armada district, 25 miles from the hospital, some quarter sections are taxed \$12.00 per year. In the M. D. of Royal, where the hospital is located, the maximum tax is \$6.30. In one municipality the tax is \$7.25 and in another across the road it is \$5.70.

One Council will probably over levy and another perhaps does not levy at all. The Hospital Board is of the opinion that it would be better if the Hospital District were taxed on a flat rate, say 3¢ per acre.

About \$12,000 of the 1933 requisitions remain unpaid.

MR. C. R. ABBOTT - LACOMBE:

One of the most vicious forms of taxation is that of taxing capital that is not yielding any revenue.

A sound tax should be on the profits of investment.

The revenue of every industry in the Province should bear a proportionate share of the expense of government.

CANADA & NORTHWESTERN FARM COMPANY:

This Company purchased in 1910 eighteen sections of land ranging from Skiff to Hardisty. Sold three sections in M. D. of Coronation in 1930 and helped finance purchasers in the breaking of the land and purchase of seed.

Due to crop failures in 1931 and 1932, caused by hail and drought, purchasers abandoned their farms leaving company with heavy tax bills.

Absolutely no sale for these lands.

MILK RIVER DELEGATION:

This delegation advocates the Single Tax.

In the Village of Milk River taxation has been shifted from improvements to land values only.

If it is right for the Government to take 5% of the unearned increment of land values, it must also be right to take 100% of what is totally unearned.

Delegation recommends substantial increase of the Unearned Increment Tax.

D. C. McTAVISH - SANGUDO:

Every sound system of raising public revenue should have the following characteristics:

- (a) That it does not interfere with or restrict in any way the production of wealth.
- (b) That the collection of taxes be easy and cheap so that no loss takes place between the receipt of taxes and their ultimate disbursement.

Taxation which diminishes the just earnings of labour and legitimate returns to capital tends to render the one less industrious and intelligent, and the other less disposed to save and invest.

Representations Cont.

MR. P. E. COLDWELL - CRAIGMYLE:

Re: Assessment of Farm Lands:

The fairest basis of taxation yet found is the basis of the ability of any business to produce. If any piece of farm land is taxed less than its proper share in comparison with any group of farm lands, the owner of that land is escaping a fair share of his burden of taxation, and is richer to that extent.

While the basis of assessment of farm lands in Alberta is not a flat rate, it is too near a flat rate to be fair. If suggestions to assessors from the Department of Municipal Affairs required recognition of the principle of "ability to produce", the problem of land taxation would largely be solved.

In making assessment of farm lands the following factors should be considered: fertility of top soil, classification of sub-soil, characteristics of land and average amount of rainfall. The comparative values of the different top and sub-soils applied to wheat growing should be determined by agronomists while experienced and practical farmers should be consulted in regard to physical characteristics such as rolling, hilly, stony, gumbo or sandy lands.

Rainfall statistics are an important factor and should be included in a formula by which the value of any piece of land should be ascertainable.

Hospital Tax:

The practice of basing the Hospital Tax on the assessment is incongruous. There exists at present the paradox that a man twenty miles from a hospital, and by reason of his being near a school, pays more for hospitalization than one who lives beside the hospital.

It seems established that the further from a hospital a person lives, the longer is his average stay there when sick.

In order to compensate for previous unjust taxation, adjustments should be made in connection with arrears of taxes on a new assessment.

MR. W. A. GUNN - EDMONTON: Representing the Edmonton Wholesale Society.

Urges the exploration of new sources of revenue for the Province. Believes that the hydro-electric and gas industries are not bearing their proper proportion of provincial taxation.

A 1% tax on the total receipts of the bus and truck transportation industry is recommended. Government regulation of this industry is sorely needed. At present men are employed who work 24 hours a day. Saskatchewan and Manitoba regulate the trucking industry under their Utility Boards and, in addition to Licenses, 1% of the total revenue is collected by the Government.

MR. GEORGE ROE - ALTARIO:

Theoretically the cost of roads should be charged against land values, because it is the property adjacent to the roads that benefits from the unearned increment. This does not however, apply so long as trade monopoly sits on the top of the land monopoly.

As a part solution of the rural educational problem the establishment of boarding schools capable of accommodating three hundred pupils is suggested.

All the taxation in a properly organized society should be derived from a scientific system of taxation of site values.

Representations Cont.

MR. M. W. HITCHINS - ATHABASCA:

General:

In the tax roll of a Municipal District much duplication of work could be eliminated. We have a separate tax for Municipal, Supplementary Revenue, School and Hospital purposes with penalties added twice a year. Municipal Hospitals are on a requisition basis the same as schools. Larger municipal school areas should be established. The Government should place the Supplementary Revenue Tax on a requisition basis and the mill rate could then be included in municipal and hospital taxes.

Taxes in Arrears:

Persons in arrears of taxes on their home property should not be allowed to sit on councils or hospital boards.

New Taxation:

A tax on single persons for hospital purposes should be instituted also on non-property owners.

School Taxes:

Non-property owners should pay a tax for school purposes. The benefits of education for their children should not be enjoyed at the expense of the property owner.

Letters dealing with various phases of local assessment and taxation were received by the Board from the following persons:

Mr. J. Boulten, Blacktail.
Mr. James P. Lanberbis, Coronation.
Mr. B. T. Chalmers, Millarville.
Mr. Hugh Bolin, Drumheller.
Mrs. A. H. Robertson, High River.
Mr. W. H. Caldwell, Wildwood.
Mr. Jasper Ames, Alix.
Mr. T. Boultud, Stavely.
Mrs. Susan M. Parker, Hanna.
Miss E. A. Whealon, Knee Hill Valley.
Mr. George Dau, Three Hills.
Mr. Henry Kelly, Millet.
Mr. A. Heustrom, Czar.
Mr. W. A. Bishop, Oyen.
Mr. A. T. Brown, Arrowwood.
Mr. J. L. Willis, Edmonton.
Mr. Hugh Bower, Red Deer.
Mr. George Lowe, Delia.
Bow Valley Ratepayers' Association.
Mr. E. Parr, Meanook.

3. DIVISION OF TAXATION

DOMINION, PROVINCIAL, MUNICIPAL.

In the brief presented to the Board on behalf of municipalities, there is a unanimous demand for a clearer definition of the fields of taxation as between the three taxing authorities, and for a more precise recognition of their respective obligations in regard to the cost of social services.

The demand now referred to is not confined to municipal authorities in Alberta, but is general throughout the Dominion.

The resolution adopted by The Union of Canadian Municipalities on July 20, 1934, states that "the very existence of municipalities has been imperilled by failure to apply an equitable and stabilized basis of relationship between Provincial Governments and Municipalities, both as to duties, services and revenues." Legislative action was therefore demanded that would ensure wider powers of taxation for municipalities, a more equitable distribution of the burden of social and national services, and the allocation of a larger share of national and provincial revenues towards the cost of same.

Among the recommendations contained in The Harper Report (1933) dealing with taxation in the Province of British Columbia are the following:

- (a) "That real property should assume the burden of 'beneficial taxes', and that the community as a whole should assume the burden of 'onerous taxes'."
- (b) "That social services should not be a charge on land."
- (c) "That Mothers' Pensions should be wholly a Provincial obligation."
- (d) "That as the sources of revenue of municipalities are inadequate, there is a just claim on the Provincial Government."
- (e) "That unemployment relief is not a burden which land should carry."
- (f) "That only by placing the relationship of the Province and the municipalities upon a clear and definite basis can any permanent solution of existing difficulties be found."

In the recent BRADSHAW REPORT on taxation in the City of Winnipeg, it is recommended that the Provincial Government return to the City one-quarter of total Income Tax, Liquor Profits, Gasoline Tax, Motor License Fees, Railway Tax, Amusement Tax, collected in the City of Winnipeg.

It is also recommended by the same authority that the Provincial Government assume the cost of Old Age Pensions, Indigent Relief, Child Welfare, and increase the grant to City Schools by 50%. It is also urged that the Provincial Government pay municipal taxes on its commercial enterprises, liquor, telephone, etc., carried on in the city.

In the brief submitted on behalf of the City of Edmonton by Mr. Garside, City Solicitor, particular reference is made to the financial burden involved in respect to Old Age Pensions, Mothers' Allowances and National Unemployment, all of which he regards as being either national or provincial services. From his brief the following paragraphs are quoted:

Social Services:

"The City supports the principle of the supervision and control of health, education, social services, old age pensions and mothers' allowance as being desirable and in the public interest. The burden for their support is placed mainly upon one class of property - land and improvements - and the City considers this forms a proper and just cause for protest and calls for a readjustment in taxation methods."

Unemployment Relief:

"It is submitted that the cost of relief of national unemployment should be borne entirely by the National Government. While the National and Provincial Governments have shared in this cost, a large proportion falls upon the City and constitutes a charge upon the same one class of property. It is estimated that 25% of the persons receiving direct relief from the City moved into Edmonton in or since 1930. The City considers that this forms a proper and just cause of protest, and calls for readjustment in taxation methods."

Education:

"The B. N. A. Act places education within the Provincial sphere. The School Trustees requisition the Municipal Councils for the amount of their requirements, and whether the full levy is obtained or not, the Councils, without having any voice or control, are legally bound to pay."

Health:

"In its general aspect health is national in character. So far as the Province is concerned, the Government, as in the case of Education, has divided the Province into Health Districts and has placed them in charge of Local Boards of Health. These Boards notify the Councils of their yearly requirements and the Councils are obliged by law to furnish the amounts required. In so far as health concerns the prevention, mitigation and suppression of disease, including tuberculosis, epidemic and mental disorders, their supervision and control is of the utmost national as well as provincial concern."

Referring to the position of real property in relation to the cost it now has to bear in respect to the services alluded to, Mr. Garside points out:

- (a) "That real property is immovable and forms a fixed and favourite target for taxation."
- (b) "That the tax on real property is virtually a capital tax, and strikes with its ever-increasing burden at the same property year after year."
- (c) "That when taxation is imposed thereon the value of the site is lowered by the capitalized value of the tax."
- (d) "That real property is the most vulnerable of all in so far as the consequence of non-payment is concerned. After a specified time of non-payment, automatic forfeiture takes place."
- (e) "That land and improvements bear not only the burden of services properly charged to them, but also an unfair and excessive burden for service national or provincial in nature."
- (f) "That consideration be given to a dominion-wide survey of the incidence of taxation in association with the various provinces, with a view of securing a more equitable distribution of the burden of taxation and especially directed to relieve the cost of health, education, social services and national unemployment now unfairly resting upon land."

SOURCES OF REVENUE - Dominion, Provincial, Municipal.

The powers of the Parliament of Canada, as set forth in the B.N.A. Act, 1867, include "The Raising of Money by any Mode or System of Taxation," and the Act also provides that "In each Province the Legislature may exclusively make Laws in relation to (among other things) Direct Taxation within the Province in order to the Raising of a Revenue for Provincial purposes."

Municipalities derive their powers of taxation from Legislative Acts of the Provincial Government, and are compelled to assume a large proportion of the costs of such social services as education, health and unemployment relief.

Dominion Government Sources:

The amounts collected from various imposts of the Dominion Government for the year 1933 are indicated by the following table:

| | | <u>Per Capita</u> |
|-----------------------|----------------------|-------------------|
| Customs Import Duties | \$ 70,072,932 | \$6.76 |
| Excise Duties | 37,833,858 | 3.65 |
| Excise Taxes | 82,191,576 | 7.93 |
| Income Taxes | 62,066,697 | 5.99 |
| Sundry Taxation | 518,799 | .50 |
| Other Revenues | <u>53,553,128</u> | <u>5.20</u> |
| Total Revenue | <u>\$306,636,990</u> | <u>\$29.59</u> |

Alberta Government Sources:

The amounts collected by the Alberta Government for the same period are shown in the following table:

| | | |
|----------------------------|---------------------|----------------|
| Federal Grants & Subsidies | \$ 2,702,717 | \$ 3.69 |
| Income Tax | 649,544 | .89 |
| Gasoline Tax | 1,517,694 | 2.07 |
| Corporation Taxes | 771,861 | 1.05 |
| Amusement Taxes | 117,887 | .16 |
| Succession Duties | 470,471 | .64 |
| Real & Personal Property | 1,041,696 | 1.43 |
| Other Taxation | 505,084 | .68 |
| Motor Licenses | 1,552,613 | 2.12 |
| Liquor Profits | 1,427,000 | 1.95 |
| Other Revenues | <u>4,670,418</u> | <u>6.41</u> |
| Total Provincial Revenue | <u>\$15,426,265</u> | <u>\$21.09</u> |

Table "A" attached hereto indicates in greater detail Provincial Government revenue in 1933, together with comparative figures for the years 1926, 1931, 1932 and 1933.

Urban Municipal Sources:

The sources of taxation from which the cities of the Province derive their revenue are classified as follows: (1) Real Property Taxation; (2) Business Taxes; (3) Licenses; (4) Profits from Utilities; (5) Departmental Revenue; (6) Grants from Provincial Government.

As an example, the sources of revenue and the amounts derived therefrom in the City of Edmonton in the year 1933 are as follows:

| <u>Real Property</u> | | <u>Per Capita</u> |
|------------------------------|-------------------|-------------------|
| Land and Buildings | \$3,252,756.83 | \$41.070 |
| Local Improvement | 314,532.48 | 3.971 |
| Miscellaneous | <u>232,505.19</u> | <u>2.936</u> |
| | \$3,799,794.50 | \$47.977 |
| <u>Other Taxes:</u> | | |
| Service Tax (in lieu of) | 60,000.00 | .757 |
| Business Tax | <u>276,238.19</u> | <u>3.488</u> |
| | \$336,238.19 | \$4.245 |
| Licenses | 63,686.80 | .804 |
| Utilities | 604,300.80 | 7.630 |
| Departmental Revenue | 191,390.30 | 2.416 |
| Provincial Government Grants | 152,985.16 | 1.932 |
| Miscellaneous | <u>137,533.46</u> | <u>1.737</u> |

Table "B" attached hereto indicates comparative figures in respect to the City of Edmonton's revenue for the years 1926, 1931, 1932 and 1933.

Dominion Income Tax:

This tax was first imposed by the Dominion Government in 1918, and yielded in 1933 a sum in excess of \$62,000,000. At the time of its enactment it was stated to be a war measure and as such the Provinces in a spirit of patriotism, offered little if any objection to it.

It was understood that this invasion by the Dominion Government into the field of direct taxation - a field previously regarded by the Provinces as belonging to themselves - was but a temporary measure designed to meet abnormal national needs. It must be admitted, however, that in view of the continuing obligations resulting from the war, such as interest charges on the war debt and soldiers' pensions, the grounds on which this tax was first imposed still exist.

Provincial Income Tax.

This tax was first imposed by the Province in 1932, and for the year ended March 31, 1934, yielded the sum of \$618,776. Of this amount \$184,614 was received from Corporations and Joint Stock Companies, and \$434,132 from individuals.

In this chapter it is not proposed to deal with the incidence of this Tax as it is dealt with elsewhere in this report. It may be said, however, that the merits of a sound Income Tax are unquestioned. It is an essential aid in securing an equitable distribution of the tax burden, and conforms more closely to the principle of "ability to pay" than any other type of taxation yet devised.

It will be noted that the revenue to the Province from this tax is relatively small, being only 89 cents per capita. This is largely due to the moderate schedule of rates in force, to statutory exemptions, and to adverse influences resulting from the existence of the Dominion Income Tax. This is seen in the fact that while the rate of taxation imposed by the Dominion Income Tax on Corporations is 12%, the rate imposed by the Province is only 4%.

Municipal Income Taxation.

For the purpose of this review a reference to the experience of the Cities of Calgary and Edmonton may be sufficient to indicate a situation common to all the cities of the Province.

In 1918 the City of Edmonton secured authority from the Provincial Legislature to impose an Income Tax on the annual income of every person residing in or carrying on any business in the city, and the revenue derived therefrom was as follows:

| | |
|-------------------|-----------|
| 1918 | \$113,847 |
| 1919 | 133,897 |
| 1920 | 176,543 |
| 1921 to Aug. 26th | 32,329 |

The right to impose this tax was then withdrawn by Provincial Legislation, but permission was given to the cities to levy a Service Tax. This tax continued in force in the Cities of Calgary, Edmonton and Lethbridge until 1932 at which time the Provincial Income Tax came into force. The three cities mentioned then abandoned the Service Tax, Calgary and Edmonton receiving from the Provincial Government, in lieu thereof, a grant of \$60,000 a year for 1932 and 1933. For the year 1934, the grant to these two cities was reduced to \$45,000. On a relative basis, grants were also given to the City of Lethbridge.

Provincial Government Revenue collected in City of Calgary during year ending March 31, 1933 - Approximate figures.

| <u>Particulars</u> | <u>Amount</u> | <u>Remarks</u> |
|---------------------------|---------------------|---------------------|
| Income Tax | \$207,424.44 | Paid by individuals |
| Corporation Tax | - | Data not available |
| Amusement Tax | 44,536.24 | |
| Supplementary Revenue Tax | 53,596.39 | |
| Liquor Profits | 297,531.20 | |
| Pari-Mutuel Tax | 33,222.97 | |
| Motor Vehicle Licenses | 246,010.00 | |
| Sundries | 52,193.00 | |
| Fuel Oil Tax | - | Data not available |
| Succession Duties | - | " " " |
| Unearned Increment Tax | - | " " " |
| | <u>\$934,504.24</u> | |

In view of the fact that provincial revenues cannot easily be segregated so as to show amounts obtained from individual cities, and that in the above total no account is taken of a number of sources of provincial revenue, including profits earned in respect to Government Telephones, it may be safely assumed that a much larger sum than that stated was collected in the City of Calgary.

It should, however, be stated that the revenue obtained from such sources as liquor profits, motor licenses, and amusement taxes cannot wholly be regarded as contributions from this City, a considerable portion being paid by residents of the surrounding territory.

Provincial Grants to City of Calgary for year ended Mar. 31, 1933.

| | |
|------------------------|--------------------|
| Calgary School Board | \$104,423.86 |
| In lieu of Service Tax | 60,000.00 |
| Hospitals | 66,732.50 |
| Sundries | 5,330.00 |
| | <hr/> \$236,486.36 |

Restrictive Nature of the Tax Structure in Cities.

In any study of the revision of taxes raised by the three taxing authorities, the fact that urban municipalities are largely restricted to the taxation of real property cannot be ignored. In Edmonton nearly 80% of its requirements is obtained in this manner and over 90% in Calgary. In regard to the cost of education, each of these cities has to raise solely from land taxation approximately \$1,500,000 a year, the provincial grants being roughly 6% of that amount.

In all the cities in Western Canada the conviction prevails that real property can no longer bear the burden involved in the growing costs of education, health and unemployment relief, and that appropriate steps must be taken to ensure a substantial diminution of this burden.

Economists divide wealth into two classes, viz. tangible and intangible, and while the latter type of wealth is being tapped to some extent by the Dominion Income Tax and by the Provincial Income Tax, municipalities have to depend almost entirely on the taxation of tangible wealth. Due mainly to the burden of taxation, the latter form of wealth is steadily diminishing, and those who have capital to invest are more and more disposed to place it in intangible securities. Primarily it is this situation that has prompted urban municipalities to advance a claim to a share of provincial revenues.

A passing reference to the findings of the Royal Commission on Local Taxation (England) may be of some use. In that Report "National Services" are held to include (1) Poor Relief, including asylums and health services; (2) Police and criminal prosecutions; (3) Education; (4) Main roads. The report further states that in determining whether services are national or local in character regard must be had to the nature of such services, and whether the same are preponderantly national in character or preponderantly local in character. "The presumption is that a service is national when the State insists on its being carried out and on a certain standard of efficiency being reached."

While there can be little doubt that urban municipalities must be relieved of a portion of the burden now being carried in respect to unemployment relief and the various costly social services now delegated to them, the solution of the problem hinges largely on what the Dominion Government can be induced to do in regard to unemployment relief, and what adjustments can be made as between the Province and the Municipalities.

That adjustments of such a character as will remedy existing defects in the general taxation structure has become necessary must be obvious to all. The heavy financial burdens of the Province warrant the Dominion Government's retirement from the Income Tax field, and

the destructive load now borne by real property in urban municipalities requires a broader basis of taxation than is now available.

It may be well to point out however, that in any attempt at tax reformation, existing laws cannot be changed at a stroke, and that ideal systems of taxation rarely find their way into legislative enactments. In actual practice compromise with prevailing methods, traditional beliefs, and even popular prejudices become more or less inevitable.

It is hoped, however, that sufficient has been said to indicate the necessity of action that will result in a more equitable distribution of the tax burden, and a clearer definition of the respective obligations of the three taxing authorities.

TABLE "A"

Provincial Government Revenue from Various Sources.

| | 1926 | Per Capita | 1931 | Per Capita | 1932 | Per Capita | 1933 | Per Capita |
|--|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| 1. Real Property | | | | | | | | |
| Supplementary Revenue | \$1,277,117.00 | \$2.10 | \$ 827,525.00 | \$1.29 | \$ 790,853.00 | \$1.08 | \$ 796,722.00 | \$1.09 |
| Educational General | 145,973.00 | .24 | 76,625.00 | .12 | 57,926.00 | .08 | 51,253.00 | .07 |
| Leased Lands | 19,817.00 | .04 | 25,955.00 | .04 | 14,521.00 | .02 | 11,527.00 | .02 |
| Timber Areas | 25,826.00 | .04 | 5,028.00 | .01 | 4,883.00 | .01 | 2,136.00 | .01 |
| Unearned Increment Tax | 75,928.00 | .12 | 62,132.00 | .10 | 20,101.00 | .03 | 15,572.00 | .02 |
| Railway Mileage | 320,374.00 | .53 | 283,616.00 | .44 | 283,663.00 | .39 | 401,858.00 | .55 |
| Wild Land Tax | 369,741.00 | .61 | 156,282.00 | .24 | 115,953.00 | .16 | 105,799.00 | .14 |
| | \$2,234,776.00 | \$3.63 | \$1,437,163.00 | \$2.24 | \$1,287,900.00 | \$1.77 | \$1,384,667.00 | \$1.90 |
| 2. Succession Duties | \$ 253,611.00 | \$.41 | \$ 552,767.00 | \$.86 | \$ 258,098.00 | \$.36 | \$ 470,741.00 | \$.64 |
| 3. Other Taxes | | | | | | | | |
| Corporations | 554,736.00 | .91 | 693,550.00 | \$1.08 | 698,771.00 | \$.96 | 771,861.00 | \$1.06 |
| Amusement | 200,898.00 | .33 | 163,132.00 | .26 | 109,183.00 | .15 | 117,887.00 | .16 |
| Pari-Mutuel | --- | --- | 78,190.00 | .12 | 65,876.00 | .09 | 41,299.00 | .06 |
| Gasoline | 423,778.00 | .70 | 1,931,603.00 | 3.02 | 1,501,197.00 | 2.05 | 1,517,094.00 | 2.07 |
| Income Tax | --- | --- | --- | --- | --- | --- | 649,554.00 | .89 |
| | \$1,179,412.00 | \$1.94 | \$2,866,475.00 | \$4.48 | \$2,375,027.00 | \$3.25 | \$3,097,695.00 | \$4.24 |
| 4. Licenses | | | | | | | | |
| Automobile | \$1,153,236.00 | \$1.90 | \$1,693,757.00 | 2.64 | \$1,474,353.00 | \$2.02 | \$1,552,613.00 | \$2.12 |
| Miscellaneous | 259,899.00 | .43 | 255,217.00 | .40 | 264,431.00 | .36 | 265,283.00 | .37 |
| | \$1,413,135.00 | \$2.33 | \$1,948,974.00 | \$3.04 | \$1,738,784.00 | \$2.38 | \$1,817,896.00 | \$2.49 |
| 5. Fees | \$1,107,702.00 | \$1.82 | \$1,840,833.00 | \$2.87 | \$1,732,568.00 | \$2.37 | \$1,607,066.00 | \$2.20 |
| 6. Profits from Trading Activities and Miscellaneous | \$1,942,602.00 | \$3.20 | \$1,893,142.00 | \$2.96 | \$1,441,361.00 | \$1.97 | \$1,450,612.00 | \$1.98 |
| 7. Revenue Producing Assets | \$1,267,079.00 | \$2.09 | \$2,045,990.00 | \$3.19 | \$1,535,132.00 | \$2.10 | \$1,803,961.00 | \$2.46 |
| 8. Dominion Government Grants | \$1,786,108.00 | \$2.94 | \$2,083,496.00 | \$3.25 | \$2,261,717.00 | \$3.09 | \$2,702,317.00 | \$3.69 |

NOTE: Per capita figures based on 1921 and 1931 Dominion Census.
Province 1921 population - 588,454, 1931 population - 731,605.

TABLE "B"

EDMONTON CIVIC REVENUE FROM VARIOUS SOURCES

| | 1926 | Per Capita | 1931 | Per Capita | 1932 | Per Capita | 1933 | Per Capita |
|---------------------------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| 1. Real Property | | | | | | | | |
| Land & Buildings | \$2,580,752.47 | \$43.875 | \$3,257,046.15 | \$41.124 | \$3,399,829.23 | \$42.927 | \$3,252,756.83 | \$41.070 |
| Local Improvement | 340,452.75 | 5.788 | 423,146.26 | 5.343 | 435,714.99 | 5.514 | 314,532.48 | 3.971 |
| Miscellaneous | 216,896.15 | 3.687 | 232,659.35 | 2.938 | 227,053.35 | 2.867 | 232,505.19 | 2.936 |
| | \$3,138,101.35 | \$53.350 | \$3,912,851.76 | \$49.405 | \$4,065,537.57 | \$51.303 | \$3,739,794.50 | \$47.977 |
| 2. Other Taxes | | | | | | | | |
| Service Tax | \$53,245.79 | \$.905 | \$66,776.53 | \$.843 | \$60,000.00 | \$.757 | \$60,000.00 | \$.757 |
| Business Tax | 282,665.86 | 4.806 | 305,860.81 | 3.859 | 300,391.49 | 3.793 | 276,238.19 | 3.488 |
| | \$335,911.85 | \$5.711 | \$372,437.39 | \$4.702 | \$360,391.49 | \$4.550 | \$355,238.19 | \$4.245 |
| 3. Licenses | \$52,415.15 | \$.891 | \$62,594.71 | \$.790 | \$62,740.58 | \$.792 | \$63,686.80 | \$.804 |
| 4. Utilities | \$283,259.83 | \$4.816 | \$372,406.84 | \$4.702 | \$563,277.66 | \$7.112 | \$604,300.80 | \$7.630 |
| 5. Departmental Revenue | \$225,713.29 | \$3.837 | \$251,586.13 | \$3.177 | \$233,210.01 | \$2.945 | \$191,390.30 | \$2.416 |
| 6. Provincial Government Grants | \$128,104.14 | \$2.178 | \$158,772.05 | \$2.005 | \$159,808.65 | \$2.018 | \$152,985.16 | \$1.932 |
| 7. Miscellaneous | \$192,666.95 | \$3.276 | \$75,267.53 | \$.950 | \$65,176.50 | \$.823 | \$137,533.46 | \$1.737 |

4. DOMINION AND PROVINCIAL INCOME TAX.

In the briefs submitted to the Board considerable attention was given to issues relating to the Dominion and Provincial Income Tax. As a method of securing contributions to the revenues of governments, based on the principle of "ability to pay", this form of taxation evokes the least objection, and is one from which, as the development of the country proceeds, increasing revenues may be expected.

The main ground of complaint is that Municipalities are denied a share, except by way of inadequate grants, in the revenues thus obtained from this source by the two superior taxing authorities.

It may therefore be said that so long as Municipalities are required to carry so large a share of the present financial burden of education, health, unemployment relief, and other social services of a national character, the existing sense of injustice resulting from their exclusion from the field of taxation known as "intangible" will continue to be felt.

In respect to the Dominion Income Tax, the following Tables indicate:

1. Amounts collected, by Provinces, in years ended March 31, 1931 and 1932.
2. Amounts of Income Assessed, by Provinces, in years ended March 31, 1931 and 1932.
3. Dominion Income Tax Returns of Individuals, in year ended March 31, 1932.

AMOUNTS COLLECTED UNDER THE DOMINION INCOME WAR TAX ACT

BY PROVINCES, FISCAL YEARS ENDED MARCH 31, 1931 and 1932.

| 1. PROVINCE | 1931 | 1932 | 1933 |
|----------------------|--------------|--------------|-----------|
| Prince Edward Island | \$ 45,671 | \$ 40,930 | |
| Nova Scotia | 666,009 | 833,836 | |
| New Brunswick | 612,947 | 530,852 | |
| Quebec | 23,087,571 | 20,671,026 | |
| Ontario | 34,713,871 | 30,268,306 | |
| Manitoba | 3,537,771 | 2,232,348 | |
| Saskatchewan | 932,954 | 403,481 | |
| Alberta | 2,316,043 | 1,853,848 | 1,408,125 |
| British Columbia | 5,106,454 | 4,103,853 | |
| Totals | \$71,019,291 | \$61,238,480 | |

AMOUNTS OF INCOME ASSESSED FOR PURPOSES OF INCOME WAR TAX

BY PROVINCES, FISCAL YEARS ENDED MARCH 31, 1931 and 1932.

| 2. PROVINCE | 1931 | 1932 |
|----------------------|-----------------|---------------|
| Prince Edward Island | \$ 2,238,300 | \$ 1,981,321 |
| Nova Scotia | 22,954,093 | 22,743,690 |
| New Brunswick | 17,441,133 | 15,911,318 |
| Quebec | 374,899,266 | 234,313,011 |
| Ontario | 634,211,212 | 508,414,692 |
| Manitoba | 84,061,015 | 56,619,647 |
| Saskatchewan | 38,709,748 | 54,279,759 |
| Alberta | 79,999,021 | 45,115,980 |
| British Columbia | 115,849,332 | 82,033,481 |
| Yukon | 1,115,781 | 1,158,321 |
| Totals | \$1,371,478,640 | \$992,606,220 |

DOMINION INCOME TAX RETURNS OF INDIVIDUALS, Fiscal Year ended MARCH 31, 1932. PROVINCE OF ALBERTA

| 3. Occupations | No. | Tax Paid |
|----------------|-------|-----------|
| Agrarians | 227 | \$ 15,948 |
| Professional | 392 | 120,263 |
| Employees | 5,870 | 278,101 |

| <u>Occupations</u> | <u>No.</u> | <u>Tax Paid</u> |
|-----------------------|--------------|------------------|
| Retail Merchants | 568 | 68,292 |
| Wholesale " | 35 | 3,514 |
| Manufacturers | 20 | 14,335 |
| Nat. Resources | 3 | 768 |
| Financial | 136 | 161,958 |
| Personal Corporations | 36 | 52,019 |
| Family Corporations | 155 | 59,637 |
| All Others | 356 | 69,859 |
| Unclassified | --- | 1,050 |
| Totals | <u>7,807</u> | <u>\$845,734</u> |

From the foregoing Tables it will be noted that of the total Federal Income Tax collected in 1932, Quebec and Ontario contributed approximately 80%, and Alberta 2%, and that the income assessed in Alberta amounted to \$45,115,680, this being roughly 4½% of the total assessed income in the Dominion. It will also be observed that while in 1931 the yield from Alberta was \$2,316,047, a shrinkage of about \$150,000 occurred in 1932, and a further drop of a similar amount in 1933.

PROVINCIAL INCOME TAX

The following data is submitted with respect to Income Tax levied during the fiscal year ended March 31, 1932.

STATEMENT "A" - Income Tax Assessments, Individuals - according to income groups.

STATEMENT "B" - Income Tax Assessments, Individuals - according to occupational groups.

STATEMENT "C" - Corporation and Joint Stock Company Assessments - according to income groups.

STATEMENT "D" - Corporation and Joint Stock Company Assessments - according to occupational groups.

The amounts collected under the Provincial Income Tax Act for the fiscal periods ended March 31, 1933, and March 31, 1934, are as follows:

| | | |
|-----------------------------|--------------|---------------------|
| Year ended March 31, 1933 - | Individuals | \$459,916.23 |
| | Corporations | 189,527.98 |
| | Total | <u>\$649,444.21</u> |
| Year ended March 31, 1934 - | Individuals | \$430,717.15 |
| | Corporations | 184,643.99 |
| | Total | <u>\$615,361.14</u> |

The assessments analysed are in regard to returns based on the earnings of the individual for the calendar year 1932, and have been summarized according to incomes and according to occupations.

Statement "A" reflects the number of taxpayers assessed for the year as 22,645. The total income reported by these taxpayers for 1932 amounts to \$45,200,668.46. This is a reduction from the year 1931 when 24,571 taxpayers reported an aggregate income of \$51,930,321.87.

By Section 8 (2) of The Income Tax Act numerous Corporations and Joint Stock Companies are exempt from income tax, being Corporations and Joint Stock Companies specifically taxed by the Corporations' Taxation Act. Of the 1,927 returns of income received from Corporations for the year 1932, only 350 proved to be taxable under The Income Tax Act. These 350 reported incomes aggregating \$6,057,963.16 with a tax liability aggregating \$210,521.11.

PROVINCIAL
INCOME TAX ASSESSMENTS
INDIVIDUALS - 1932
SUMMARY ACCORDING TO INCOME GROUPS

STATEMENT "A"

| <u>Income Groups</u> | <u>No. of Taxpayers</u> | <u>Income</u> | <u>Tax Levied</u> |
|----------------------|-------------------------|------------------------|---------------------|
| \$ 750 to \$ 1,000 | 5,403 | \$ 4,764,478.90 | \$ 23,869.89 |
| 1,000 to 2,000 | 9,720 | 13,951,924.22 | 74,523.50 |
| 2,000 to 3,000 | 4,346 | 10,630,564.47 | 46,238.91 |
| 3,000 to 4,000 | 1,643 | 5,611,721.28 | 29,853.32 |
| 4,000 to 5,000 | 647 | 2,486,655.87 | 20,757.52 |
| 5,000 to 6,000 | 321 | 1,755,264.12 | 17,048.55 |
| 6,000 to 7,000 | 180 | 1,156,305.34 | 13,862.36 |
| 7,000 to 8,000 | 115 | 862,224.50 | 13,098.30 |
| 8,000 to 9,000 | 65 | 552,064.57 | 10,044.02 |
| 9,000 to 10,000 | 44 | 416,788.87 | 9,691.51 |
| 10,000 to 11,000 | 31 | 325,677.73 | 8,158.68 |
| 11,000 to 12,000 | 38 | 438,565.37 | 13,345.37 |
| 12,000 to 13,000 | 24 | 299,482.24 | 10,836.26 |
| 13,000 to 14,000 | 14 | 186,791.59 | 7,463.67 |
| 14,000 to 15,000 | 7 | 102,289.39 | 4,627.63 |
| 15,000 to 16,000 | 5 | 78,446.09 | 3,698.54 |
| 16,000 to 17,000 | 6 | 98,771.66 | 5,569.31 |
| 17,000 to 18,000 | 7 | 121,952.45 | 6,938.45 |
| 18,000 to 19,000 | 5 | 91,693.59 | 6,037.84 |
| 19,000 to 20,000 | 5 | 93,566.83 | 7,075.65 |
| 20,000 to 25,000 | 8 | 174,208.07 | 13,454.98 |
| 25,000 to 30,000 | 3 | 84,804.53 | 10,328.59 |
| 30,000 and over | 8 | 510,926.78 | 97,320.58 |
| Totals | 22,645 | \$45,200,668.46 | \$453,843.43 |

PROVINCIAL
INCOME TAX ASSESSMENTS
INDIVIDUALS - 1932
SUMMARY ACCORDING TO OCCUPATIONAL GROUPS

STATEMENT "B"

| <u>Occupational Division</u> | <u>No. of Taxpayers</u> | <u>Income</u> | <u>Tax Levied</u> |
|---|-------------------------|------------------------|---------------------|
| Agrarian | 94 | \$ 227,699.84 | \$ 1,989.13 |
| Professional | 601 | 2,378,748.51 | 29,472.97 |
| Employees | 20,497 | 37,777,599.12 | 280,742.81 |
| Merchants | 904 | 2,780,435.35 | 30,118.57 |
| Manufacturers | 17 | 77,622.91 | 1,103.73 |
| Financial | 100 | 711,577.76 | 76,732.54 |
| Miscellaneous Estates, Dividends, etc. | 432 | 1,246,984.97 | 33,683.68 |
| Totals | 22,645 | \$45,200,668.46 | \$453,843.43 |

CORPORATIONS - 1932
SUMMARY ACCORDING TO INCOMES

STATEMENT "C"

| <u>Income Division</u> | <u>No. of Taxable Corporations</u> |
|------------------------|------------------------------------|
| \$ 1,000 to \$ 5,000 | 215 |
| 5,000 to 10,000 | 41 |
| 10,000 to 25,000 | 47 |
| 25,000 to 50,000 | 22 |
| 50,000 to 75,000 | 9 |
| 75,000 to 100,000 | 7 |
| 100,000 to 200,000 | 5 |
| 200,000 and over | 4 |
| Total | 350 |

CORPORATIONS - 1932 STATEMENT "D"
SUMMARY ACCORDING TO OCCUPATIONAL DIVISIONS

| <u>Occupational Division</u> | <u>No. Taxable Corporations</u> | <u>Income</u> | <u>Tax Levied</u> |
|------------------------------|---------------------------------|-----------------------|---------------------|
| Agrarian | 4 | \$ 13,519.46 | \$ 249.19 |
| Merchants, Retail | 140 | 970,194.86 | 31,580.76 |
| Manufacturers | 55 | 1,842,458.94 | 59,933.96 |
| Natural Resources | 54 | 1,784,472.75 | 66,536.91 |
| Financial | 53 | 428,057.09 | 14,702.91 |
| Transportation | 6 | 12,343.14 | 269.90 |
| Public Utilities | 3 | 746,715.70 | 28,846.38 |
| All Others | 35 | 260,201.22 | 8,401.10 |
| Totals | 350 | \$6,057,963.16 | \$210,521.11 |

COMPARATIVE STATEMENT OF PROVINCIAL INCOME TAXES
(Effective May, 1934)

| | <u>ALBERTA</u> | <u>SASKATCHEWAN</u> Incl. Base Tax | <u>MANITOBA</u> | <u>B. C.</u> |
|---|----------------|---------------------------------------|-----------------|--------------|
| <u>SINGLE PERSON</u> | | | | |
| Statutory Exemption | 750.00 | 750.00 | 1,500.00 | Nil |
| Income 750.00 | ----- | ----- | ----- | 7.50 |
| 900.00 | 1.50 | 6.50 | 3.00 | 9.00 |
| 1,200.00 | 4.50 | 9.50 | 9.00 | 14.00 |
| 1,500.00 | 7.50 | 15.00 | 22.50 | 20.00 |
| 2,400.00 | 16.50 | 33.00 | 49.50 | 42.00 |
| 3,600.00 | 37.00 | 60.50 | 94.00 | 84.00 |
| 5,000.00 | 80.00 | 110.00 | 173.25 | 150.00 |
| <u>MARRIED PERSON</u> | | | | |
| Statutory Exemption | 1500.00 | 1,500.00 | 1,500.00 | 500.00 |
| Income 1,500.00 | ----- | ----- | ----- | 10.00 |
| 1,800.00 | 3.00 | 8.00 | 6.00 | 16.00 |
| 2,400.00 | 9.00 | 18.00 | 18.00 | 28.00 |
| 3,600.00 | 22.00 | 42.00 | 43.00 | 64.00 |
| 5,000.00 | 55.00 | 80.00 | 94.50 | 125.00 |
| <u>MARRIED PERSON</u> <u>WITH TWO CHILDREN</u> | | | | |
| Statutory Exemption | 2,300.00 | 2,100.00 | 2,500.00 | 900.00 |
| Income 1,500 | ----- | ----- | ----- | 6.00 |
| 1,800.00 | ----- | ----- | ----- | 9.00 |
| 2,400.00 | 1.00 | 8.00 | ----- | 20.00 |
| 3,600.00 | 13.00 | 30.00 | 22.00 | 51.00 |
| 4,000.00 | 17.00 | 38.00 | 30.00 | 64.00 |
| 5,000.00 | 34.00 | 62.00 | 57.75 | 105.00 |

NOTE RE. MANITOBA:

In addition to the taxes levied under the INCOME TAX ACT (Manitoba), there is a special wage tax of 2% levied under the Special Wage Tax Act. The only persons exempt entirely from this special wage tax are married persons whose income is not in excess of \$960.00, and single persons whose income is not in excess of \$480.00; e.g. a single person with a net income of \$750.00 per annum would contribute \$15.00 to the Government under the Special Wage Tax Act, although he would not be required to contribute under their Income Tax Act. A single person with a net income of \$5,000.00 would be subject to a \$100.00 special tax in addition to an income tax of \$173.25.

BRITISH COLUMBIA
INCOME TAX - 1934

The Income Tax Act imposes a tax on all income of every person resident in the province, and on the income earned within the province of persons not resident in the province.

The tax applies to the net income of all individuals, partnerships, syndicates, associations, corporations, agents and trustees.

The rate of taxation commences at 1% on the first \$1000 of taxable income, and is progressively increased by 1% on each additional \$1000 up to \$19,000, over which amount the rate is 10% on the whole of the taxable income.

EXEMPTIONS AND DEDUCTIONS: Individuals are entitled to the following personal exemptions:

- | | | |
|--|---|---------|
| A married person whose wife or husband resides in Canada) | } | \$1000. |
| A widow or widower with dependent children | | |
| A "Householder" as defined by the Act | | |
| | | |
| A single person, widow or widower without dependent children | | \$600. |
| Each dependent | | \$200. |

Every person in receipt of income in excess of the exemption stated, whether from wages or any other source during the last preceding year, is required to make a return.

A deduction may be claimed in respect of:

- (a) Life insurance premiums paid (not to exceed \$500)
 - (b) Contributions to employees' superannuation funds.
 - (c) Donations to organized charities.
- (Not to exceed 5% of the net taxable income)

FARM INCOME: Income derived from the operation of a farm is exempt up to \$1000.

EMPLOYERS' DEDUCTIONS FROM WAGES: Every employer is required to deduct 1% from the wages of his employees whose earnings exceed \$50 per month and to pay over the amount of such deduction to the Commissioner not later than the 15th of the following month. The deductions so made apply against any greater tax payable on receipt of the employee's return in income tax at the end of the year, or, if in excess of the actual tax payable, the excess is refunded.

SURTAX

A surtax is imposed on every individual whose net income exceeds \$5000. The rate of surtax commences at 1% on the first \$2500, by which the net income exceeds \$5000, and is progressively increased by 1% on each additional \$2500 up to 18% on the amount in excess of \$47,500.

TAXATION OF CORPORATIONS.

It has already been shown that in 1932 Alberta contributed to the Federal Income Tax the sum of \$1,853,848, and that of this amount \$845,734 was paid by Individuals, the balance of roughly \$1,000,000 being paid by Corporations. The present rate of tax (Federal) is 12%.

The following observations in respect to the taxation of Corporations in the four Western Provinces may be of interest:

ALBERTA:

In this Province taxation of corporations and joint stock companies is imposed under two Acts, the Corporation Taxation Act and the Income Tax Act.

The following corporations and joint stock companies, being taxed under the Corporations Taxation Act, are specifically exempted from Income Tax by sub-section (2) of section 8 of the Income Tax Act: Banks, railways, express, grain, insurance, land, loan, telegraph, finance, investment and trust companies.

By sub-section (3) of section 8, gas companies can deduct amounts paid under the Corporations Taxation Act from any Income Tax payable. By sub-section (4) of section 8, electric light and power companies

can deduct any taxes paid under the ELECTRIC POWER TAXATION ACT and the CORPORATIONS TAXATION ACT from any Income Tax payable. The rate of tax under the Income Tax Act is 4%.

Actual collections for the fiscal period ending March 31, 1933, from corporations under the Income Tax Act amounted to \$189,527.

MANITOBA:

The Manitoba Income Tax Act grants exemption in respect to the incomes of corporations paying taxes under the Corporations Taxation Act, and the income of railways paying taxes under the Railways' Taxation Act. The Manitoba Corporations Taxation Act imposes taxation on the following corporations: Banks, insurance, loan, land, trust, street railway, telegraph, telephone, gas, electric lighting and express companies. The rate of tax under the Manitoba Income Tax Act is 5%.

SASKATCHEWAN:

The Saskatchewan Income Tax Act exempts the income of railway companies from income taxation. The Corporations Taxation Act taxes the following: Banks, insurance, investment, land, loan, telegraph, express, trust, finance and oil companies. These companies, although taxed under the Corporations Taxation Act, are not exempt from Income Tax but may deduct the taxes paid under the former Act from any Income Tax payable. The rate of tax applicable to corporations under the Saskatchewan Income Tax Act is 4%.

BRITISH COLUMBIA:

In this province the taxation of all corporations comes under the Income Tax Act. This includes both output and alternate taxes. Corporations taxed specifically under the Income Tax Act are liable under the Act for any excess amount of tax on their net income over the special taxes indicated. Income and output taxes are under the administration of the Department of Finance and directly under the Commissioner of Income Tax. The rate of income tax applicable to corporations in British Columbia is as follows: On the first \$1,000 - 1%, the rates increase 1% per \$1,000 up to the nineteenth thousand on which the rate is 19%. The rate on that part of the income exceeding \$19,000 is 10%.

Suggestions submitted to the Tax Inquiry Board.

From the representations made it is clear that there exists a widespread belief that the present defects of the tax structure, both as to the Province and the Municipalities, can largely be remedied by appropriate changes in the Income Taxes now in force. As to the precise course to be followed, many and varied views have been expressed. Little attention, however, was given to obstacles of a constitutional character, it being optimistically assumed that such obstacles need not be regarded as insuperable.

Among the suggestions submitted are the following:

1. That the Federal Government abandon its Income Tax, both as to individuals and corporations, leaving this field of "direct taxation" to the Province.
2. That the Federal Government abandon its Income Tax on individuals, but retain it on corporations.
3. That in the event of the Federal Government entirely abandoning its Income Tax, the Province to adopt a schedule of rates both as to individuals and corporations as will ensure a substantial increase of revenue from which generous grants to municipalities requiring assistance could be made.
4. That the Federal Government use its present machinery for the collection of an Income Tax, a large percentage of which to be paid to the Province on a per capita basis, the Province, in turn, making grants to relieve the burden of social services now borne by municipalities.

5. That in addition to an Income Tax, whether collected by the Federal or Provincial Government, the latter to follow the example of Manitoba and British Columbia by imposing a Wage Tax.

6. That the cost and administration of those social services of a national character, now borne by municipalities, be assumed by the Provincial Government, or in certain cases by the Federal Government, and paid for out of revenue obtained from a revised Income Tax, thus obviating the necessity of increased grants being paid by the government to municipalities.

The Board doubts the possibility of a solution of the problem now under review until the issues involved receive the attention of a Conference of the three taxing authorities, but a few comments of a general character may be made.

For the fiscal period ended March 31, 1934, the Dominion Government collected in the Province of Alberta \$665,273 from the taxation of personal incomes. For the same period the Province collected by taxation of personal incomes the sum of \$430,717, the total of both amounting to \$1,095,990.

As to the suggestion that the Federal Government abandon its Income Tax on individuals, and retain it on corporations, this would be a compromise not entirely devoid of merit.

For the fiscal period ended March 31, 1934, the Province of Alberta collected by way of Income Tax from corporations the sum of \$184,643, and for the succeeding six months the sum of \$156,480. The Alberta Income Tax, however, does not tax all corporations, many being relieved by specific exemptions. Those exempt thereunder are taxed under the Corporations' Taxation Act, and a substantial revenue is derived therefrom. If the Province, even after withdrawing from this field as far as the Income Tax is concerned, continued to levy taxes under the Corporations' Taxation Act, the loss sustained would not be material. From the point of view of collection, it is believed that the taxing of Corporations should be under the Dominion Government, as it would remove the difficulties now experienced in accurately apportioning profits for taxation purposes between Provinces.

The suggestion that the Dominion Government use its present machinery for the collection of an Income Tax on behalf of the Province, and that the Province, in turn, give substantial relief to municipalities in respect to the cost of social services, has merits deserving the most careful consideration. On the other hand, if the Provincial Government, by a policy of centralization, decide to assume a large share of the cost, it is possible that the present municipal tax structure need not unduly be disturbed.

In his book "Fundamental Principle of Taxation", Sir Josiah Stamp makes the following statements:

"No personal tax can be administered with safety, facility and equity unless it covers the whole of an economic community represented by a nation."

"If the proposed devolution of government in the United Kingdom is made to involve the separation of the taxation of the income into three distinct groups under direct local autonomy, it must be a retrograde movement and against the nature of things."

Reference has already been made to the institution of a Wage Tax in the Provinces of Manitoba and British Columbia, and the propriety of adopting a similar tax in Alberta should be examined. In Manitoba the rate imposed is 2% with an exemption of single persons of \$480 and of married persons of \$960. This Wage Tax is collected at the source. In British Columbia every employer must deduct 1% from the wages of his employees whose earnings exceed \$50 per month.

It may be noted that in Alberta the payrolls reported to the Workmen's Compensation Board for the years stated were as follows:

| | |
|------|---------------|
| 1929 | \$106,117,134 |
| 1930 | 89,623,535 |
| 1931 | 77,010,626 |
| 1932 | 64,564,763 |
| 1933 | 60,254,750 |

These figures represent a substantial sum, but they do not indicate the total wage payroll in the Province.

In a summary of Provincial Income Tax Assessments according to Income Groups for 1932 it is shown that the total taxable income of people earning from \$750 to \$3000 a year amounted to \$29,346,966. It can, however, be safely assumed that a substantial portion of this sum represents earnings of employees who are not required to report to the Workmen's Compensation Board.



5. THE SUPPLEMENTARY REVENUE ACT

This Act was passed at the 1918 Session of the Legislature. It was then regarded as a war measure designed to raise additional revenue, and was not expected to become a permanent feature in the taxation structure of the Province. The Act provided for a levy in urban units of a tax of one mill on the dollar of the assessed value of "rateable land", and in rural units of four cents an acre on "rateable land". "Rateable land" is defined as "land or any estate or interest therein liable to taxation under the provisions of a Municipal Act, exclusive of the value of buildings or other improvements upon such land."

The Tax Commission appointed under the provisions of the Act had authority to reduce the rate in rural units, but no rate to be less than 2 cents an acre.

Under this Act it became the duty of municipal authorities in Villages, Towns, Cities and Municipal Districts to levy the tax, make collections of the amounts levied, and remit same to the Department of Municipal Affairs. A commission is paid by the Government to each municipality of 5% of the amounts so collected.

In 1919, an amendment was made in respect to the rates in rural units providing that they be set annually by the Lieutenant Governor in Council at a rate on the dollar, and the Tax Commissioner was given authority to raise or lower the value of the rateable land.

In 1920 the Act was again amended, becoming effective in 1921. The Assessment Equalization Board was appointed and its duty was to determine the total equalized value of each urban and rural unit in the Province. The amendment further provided that a rate of 2 mills on the dollar of the total equalized assessed value be levied.

The rural unit was required to amend its assessment of the rateable lands, when necessary, to equal the amount set by the Board. The urban units, if the Councils thereof deemed it desirable, instead of amending the assessment, might levy a rate other than two mills, provided that the total amount of the levy on all rateable lands therein would produce an amount equal to two mills on the total equalized assessed value set by the Board.

In 1926, the rate to be levied on lands under grazing leases or permits was reduced from one cent an acre to one-half cent an acre.

In 1929, the Assessment Equalization Board was succeeded by the present Alberta Assessment Commission. The Act itself required that the levy of the Supplementary Revenue Tax be made on assessed values as they appeared on the roll. The effect of this was to make buildings and improvements, where legally assessed for local purposes, subject to this tax.

In 1931, pending further inquiry into the incidence of this tax, the Alberta Assessment Commission Act was amended so that the levy be restricted to "rateable land" as defined in the Supplementary Revenue Act. The effect of this was to exclude the value of buildings and improvements on land for the purpose of this Act.

The following figures indicate the assessment changes made in the three equalization periods - 1921, 1926 and 1931;

| | | |
|-------------|-------------|----------------|
| <u>1921</u> | Cities | \$ 101,855,000 |
| | Towns | 10,591,000 |
| | Villages | 4,932,877 |
| | Total Urban | \$ 117,378,877 |
| | Rural | 608,507,658 |
| | TOTAL | \$ 725,886,535 |



| | | |
|-------------|-------------|---------------|
| <u>1926</u> | Cities | \$ 77,825,000 |
| | Towns | 10,161,700 |
| | Villages | 4,869,600 |
| | Total Urban | \$ 92,856,300 |
| | Rural | \$412,348,740 |
| | TOTAL | \$505,205,040 |
| <u>1931</u> | Cities | \$ 80,627,000 |
| | Towns | 9,556,100 |
| | Villages | 4,960,050 |
| | Total Urban | \$ 95,143,150 |
| | Rural | \$435,794,055 |
| | TOTAL | \$530,937,205 |

It should be observed that the 1926 equalization resulted in a reduction in the urban assessment of \$24,522,577, or 20.8%, and a reduction in the rural assessment of \$196,158,918, or 32%. In 1921, the average assessed value of rural lands was \$15.49 per acre, in 1926 it was reduced to \$10.36 per acre, and in 1931 to \$10.30 per acre.

The following figures indicate the revenue obtained from the Supplementary Revenue Tax over a series of years:

| | |
|---------|--------------|
| 1923 | \$ 1,560,979 |
| 1924 | 1,521,627 |
| 1925 | 1,489,495 |
| 1926 | 1,277,116 |
| 1927 | 992,830 |
| 1928-29 | 1,166,099 |
| 1929-30 | 1,019,211 |
| 1930-31 | 827,525 |
| 1931-32 | 824,376 |
| 1932-33 | 830,502 |
| 1933-34 | 827,128 |

The total equalized assessment for the triennial period beginning with the year 1931, and by Order in Council extended to include 1934, was established by the Alberta Assessment Commission as follows:

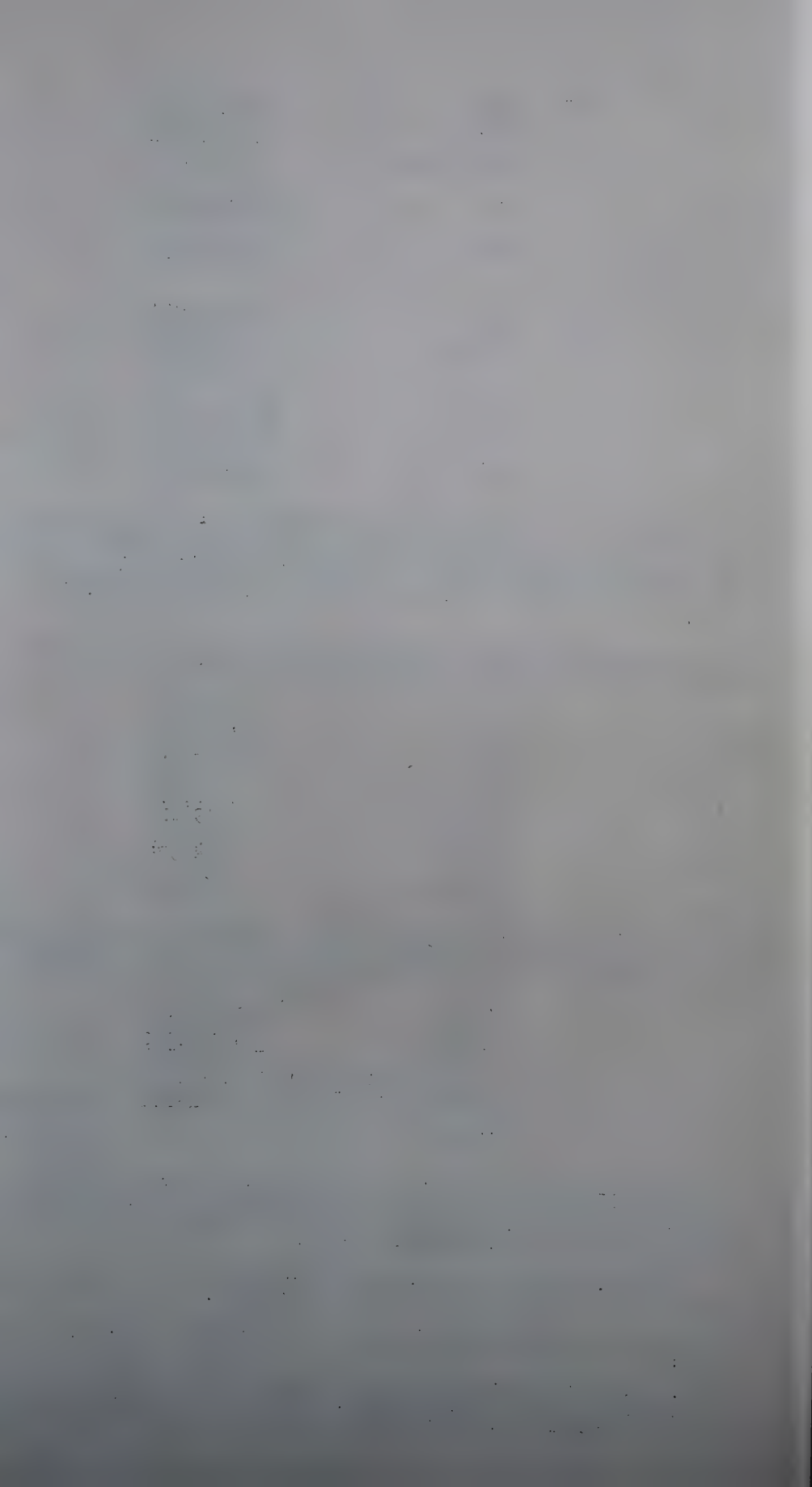
| | | |
|----------------------|---------------|---------------|
| Cities | \$ 80,627,000 | |
| Towns | 9,556,100 | |
| Villages | 4,960,050 | \$ 95,143,150 |
| Municipal District's | 365,368,457 | |
| Improvement " | 70,425,598 | 435,794,055 |
| TOTAL | | \$530,937,205 |

On the urban assessment a rate of 2 mills amounts to \$190,286, and on the rural assessment the same rate amounts to \$871,588. On the collections resulting from these levies the Government allows a commission to the municipalities of 5%.

The population of urban units in 1931 was 298,505, and that of rural units 453,097, making a total of 731,605.

Rural authorities on various occasions have expressed the opinion that:

1. The rural taxpayer pays this tax on an assessment basis of 80% of the value of his holding, while the urban taxpayer pays on an assessment basis of roughly 25% of the value of his holding.



2. The tax on "rateable land", with the value of buildings and improvements exempted, is discriminatory in its effect on the rural taxpayer.

3. The taxation of land for provincial purposes is an invasion of a sphere of taxation which should exclusively belong to municipalities, and that the Supplementary Revenue Tax should be abolished.

4. While the taxation of land by the Provincial Government is regarded as an invasion of the municipal field of taxation, rural authorities are prepared to acquiesce in the imposition of an equitable tax provided its revenue is used to defray the cost of services beneficial to rural communities, and that such services rendered by the Province be defined.

Urban municipalities on the other hand contend that this is a tax imposed by the Government on land values, and that as between classes so different as urban and rural, the principle of a per capita tax has only a negligible application. They further contend:

1. That while rural municipalities are assessed on a basis of raw land, or an estimated value of the land in its original state, urban lands are generally assessed on an inflated basis.

2. That the value of urban lands has been substantially increased by the expenditure of borrowed money represented by debenture obligations, the present debt amounting roughly to a total of \$80,000,000. The annual payments involved have to be met out of local taxation.

3. That the combined taxes payable by urban residents far exceed those payable by rural residents.

4. That the statement made by rural authorities to the effect that the urban taxpayer only pays this tax on a basis of 25% of the total value of his holding is only true in respect to urban residential property, but far from correct in respect to urban business property. The assessed value of lands in the business areas of Edmonton represents about half of the total land assessment in the city, and the land in this half has an assessed value of approximately 75% of the total assessed value of business property in the city.

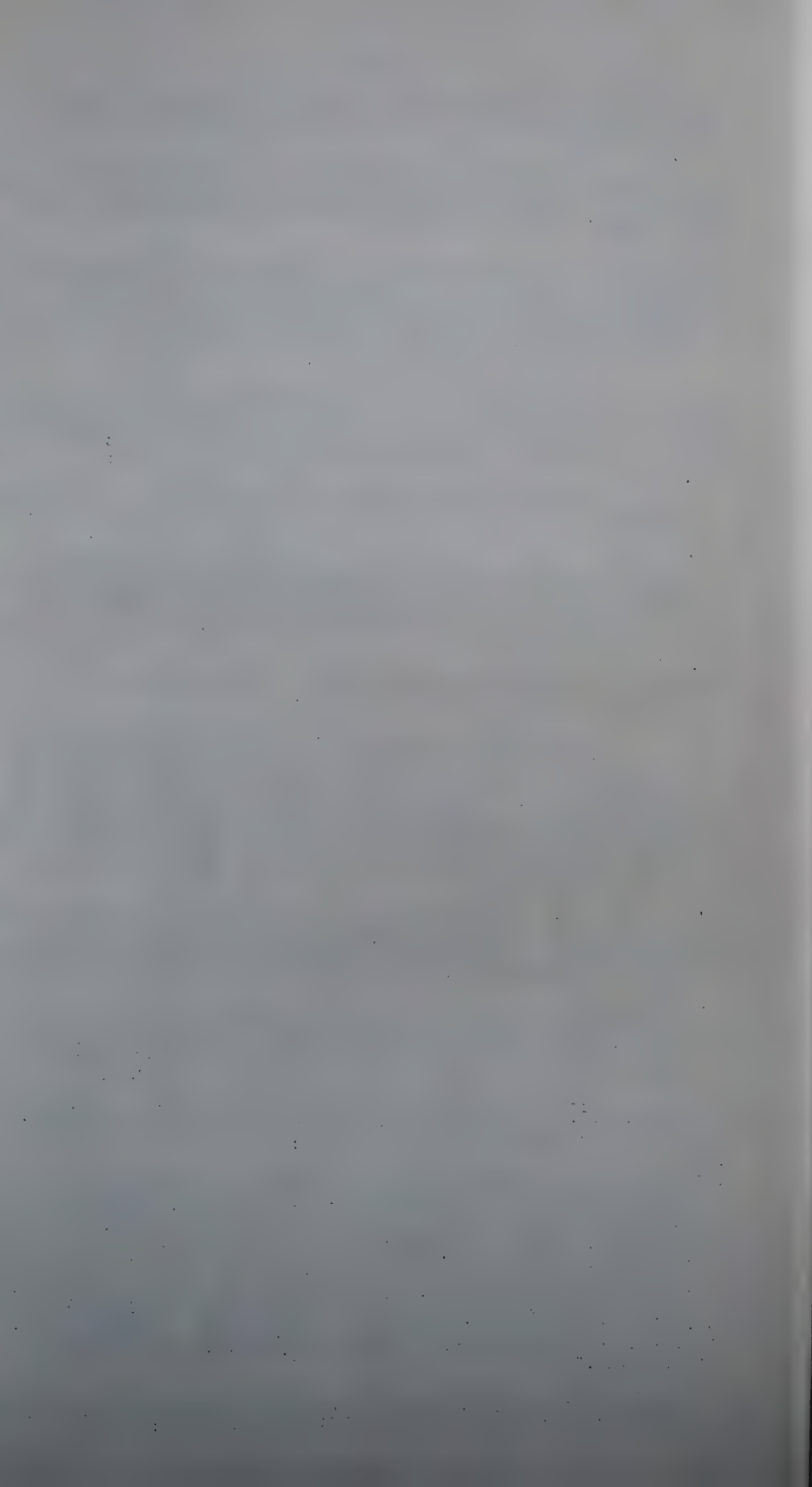
5. That if a Government levy on municipalities is necessary to meet the cost of various social services assumed by it, such levies should be chargeable to general revenue rather than to a single class of resident, that of owners of land.

6. That in view of the fact that the burden of taxation on land in urban municipalities has reached a stage confiscatory in character, the Government should retire from this field and obtain its necessary revenue from sources other than land.

From the brief presented on behalf of the City of Calgary by L. W. Brockington, K.C., the following quotation indicates the general attitude of urban authorities to this tax:

"This tax is an instance of the truth of the observation that there is no such thing as a temporary tax. Its levy, originally intended for patriotic war purposes, has remained with us. The basis of the assessment is arbitrary, and is comparatively unrelated to the city's own assessment. Its continued collection is merely the addition of another burden of injustice to the already overburdened owner of city real property. If the Government accepts the responsibility already indicated (cost of certain social services, etc.) its continuance might be justified. If it does not, its abolition is indicated by the most elementary considerations of fair dealing."

From various representations made by urban authorities their general attitude to this tax may be summarized as follows:



1. That in view of the fact that this tax is now imposed solely on one class - that of the owner of land - in its incidence it is discriminatory and should be abolished.
2. That in view of the financial obligations borne by the Government in respect to the cost of social services beneficial to urban communities, a levy by the Government on the latter, but on a broader and more equitable basis, is justifiable.
3. That the various factors now required to be used in determining the equalized assessment of urban units result in much confusion and dissatisfaction among urban authorities, in loss of provincial revenue, and in administrative defects difficult to correct.

In regard to the incidence of this tax in rural units, the average assessed value of farm land in 1931 - the beginning of the last triennial period - was \$10.30 per acre. On this basis the average Supplementary Revenue Tax per quarter section amounted to \$3.29. The tax is based on an estimated value of land in its original state. In reaching this value consideration is given to various factors including quality of land, location, proximity to school and shipping point. No consideration, however, is given to any values created by labour or the expenditure of capital.

It has been suggested that the practice in Great Britain of taxing real property on the basis of its rental value is preferable to the practice on this continent of imposing taxation on capital values. While it is true that the latter practice has often little relation to the "principle of ability to pay", conditions in this country are vastly different from those in Great Britain, and exemption from taxation of non-productive lands, either urban or rural, would have the undesirable effect of encouraging land speculation, and provide opportunities for the land speculator to acquire increments of value created, not by himself, but by the diversified activities of society.

Despite the aspect now alluded to, it is felt that the time has come when, by a progressive policy, the relation between taxation and productivity should become a factor of increasing significance in the assessment and taxation structure of the Province.

Attached hereto is a chart showing the levies, collections and arrears in connection with this tax.

Province of Saskatchewan

This Province has a Public Revenue Tax which compares with the Supplementary Revenue Tax in this Province. Its basis is an equalized assessment established every third year by the Saskatchewan Assessment Commission. The rate in 1934 was 2.03 mills on the dollar.

In rural units the assessment is based on the fair actual value of lands, exclusive of the value of buildings. In urban units the basis is fair actual value of land with 60% of the value of buildings.

The amount of the levy in the City of Regina in 1934 was \$92,243.96. Its population is 55,000, the per capita levy being \$1.67. Edmonton's per capita tax for the same year was 80¢.

Included in the Public Revenue Tax is an amount which municipalities are required to contribute for T.B. Sanatoria, this levy being based on excess costs over the Government grant of \$1.00 per patient day.

The opinion of the Regina City Council is against the imposition of this tax, and the Saskatchewan Urban Association of Municipalities in June, 1934, passed the following resolution:

"That we urge upon the Provincial Government that the cities be relieved of the Public Revenue Tax."

The Convention also passed a resolution petitioning the Government to set up a Commission to make a complete survey of Assessments and Taxation in the Province.

THE UNIVERSITY OF CHICAGO

THE DIVISION OF THE PHYSICAL SCIENCES

THE DEPARTMENT OF CHEMISTRY

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Province of Manitoba

This Province has no provincial tax on Real Property, Personal Property, Wild Lands, Educational. Its 1934 Tax revenue was derived from the following sources:

| | | |
|-------------------------------|----|-----------|
| Amusements | \$ | 172,300 |
| Gasoline (net) | | 1,770,900 |
| Highway Traffic | | 931,100 |
| Special Income Tax (Wage Tax) | | 1,543,400 |
| Income (Personal) | | 892,000 |
| Income (Company) | | 275,600 |
| Corporations | | 685,700 |
| Railways | | 604,300 |
| | | <hr/> |
| TOTAL | \$ | 6,875,300 |

In 1926 Manitoba had a Supplementary Revenue Act which in that year yielded \$1,383,683 or a per capita tax of \$2.19. The Act has since been repealed. A substantial increase of revenue is now being obtained from the various Income Taxes.

Province of Quebec

Provincial taxes are not imposed on Real Property, Personal Property, Wild Lands, Educational, Mines and Minerals, Income.

Province of Ontario

This Province imposes a tax only on land in unorganized territories. Exemptions are allowed in respect to land paying taxes under Crown Timber Act, to mining lands paying acreage tax under the Mining Tax Act and to lands held by bona fide settlers for agricultural purposes.

On lands situated in unorganized territories the rate of tax is 1% of value, on lands subject to school taxes half of 1%, a minimum tax of \$2 on small parcels and a minimum tax of 2¢ per acre on tracts containing over 100 acres.

Province of British Columbia

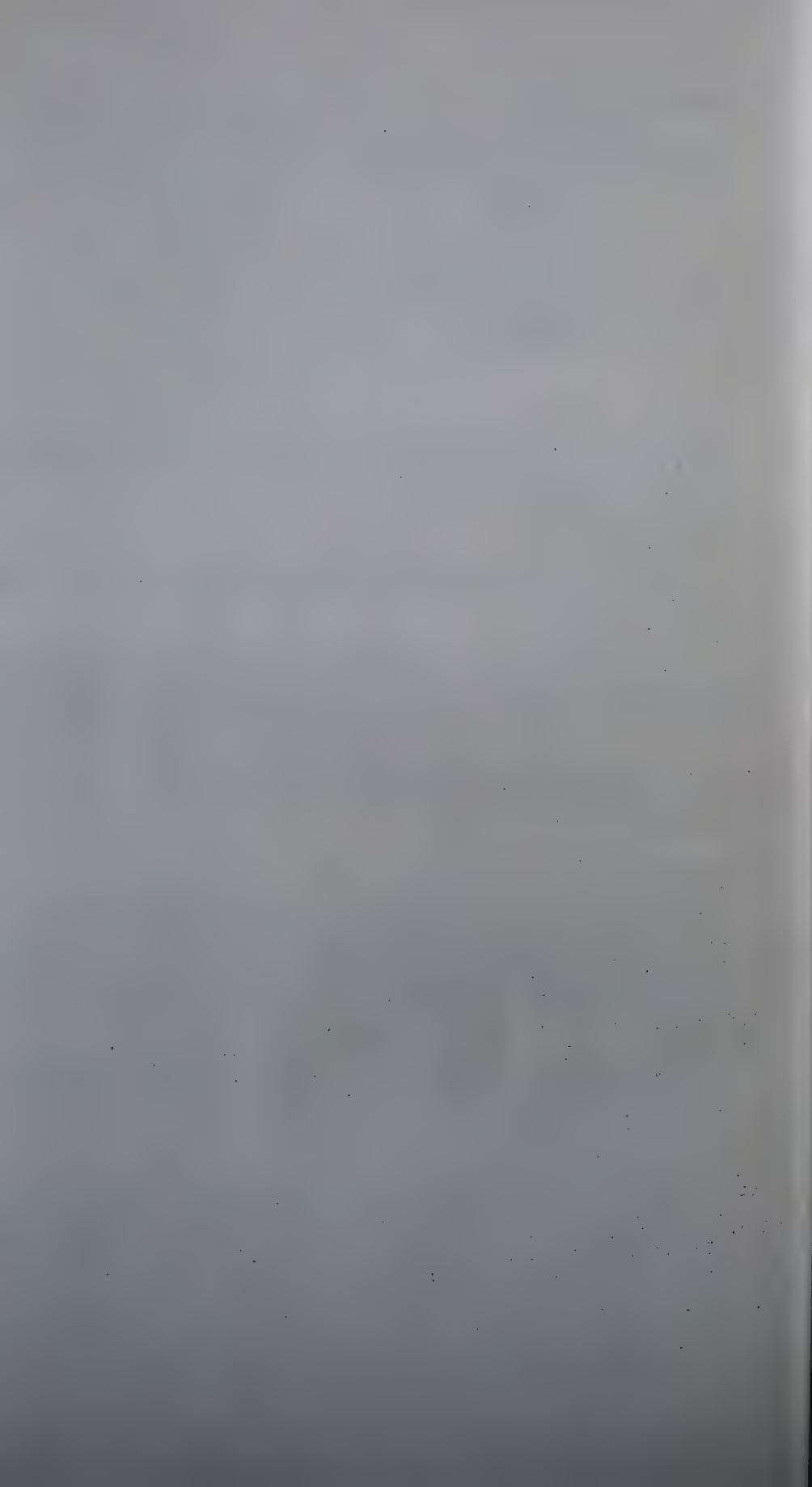
This Province imposes taxes on Real Property as follows: Half of 1% of assessed value of land used for agricultural purposes; 1% of assessed value of other improved lands, and 3% of assessed value of wild lands. An Educational Tax is imposed on land and personal property in rural districts at rates determined by local requirements. Personal property not in school districts is subject to a tax of 2 mills on assessed value, and land not situated in school districts is subject to the same rate of taxation.

Timber Areas are subject to a tax of 1½% of assessed value. Mines and Minerals are taxed 10¢ per ton on coal and coke; 2% on smelter returns, less cost of treatment and transportation, and 25¢ per acre on unworked Crown-granted mineral claims.

RECOMMENDATIONS:

In view of the widespread demand that municipalities be relieved of the cost of various social services, and that it be borne by the senior taxing authorities, there does not appear to be valid grounds for recommending the abolition of a tax of the character now under review. Practical experience of the operation of The Supplementary Revenue Tax Act, however, has disclosed many defects, and the following recommendations are submitted:

1. That the present Act be repealed and replaced by a Public Revenue Act for the purpose of supplementing the revenue of the Province.



2. That the amount payable by each municipality to the Province under the proposed Act shall be -

(a) A sum fixed by the Minister of Municipal Affairs based upon the Equalized Assessment of each municipality;

(b) The amount so determined shall be paid to the Province by the municipality by way of an appropriate levy on all the taxable property within its limits, or by cash instalments from general revenue, the municipality being granted the option of electing either course.

3. That in determining the equalized assessment of each municipality, the Assessment Commission, or any other body authorized, shall take into consideration the total value of real property within each municipality, both urban and rural.

4. That the amount payable by each municipality shall be $1\frac{1}{2}$ mills on the assessment so determined, or such other rate as may from time to time be fixed by the Lieutenant Governor in Council.

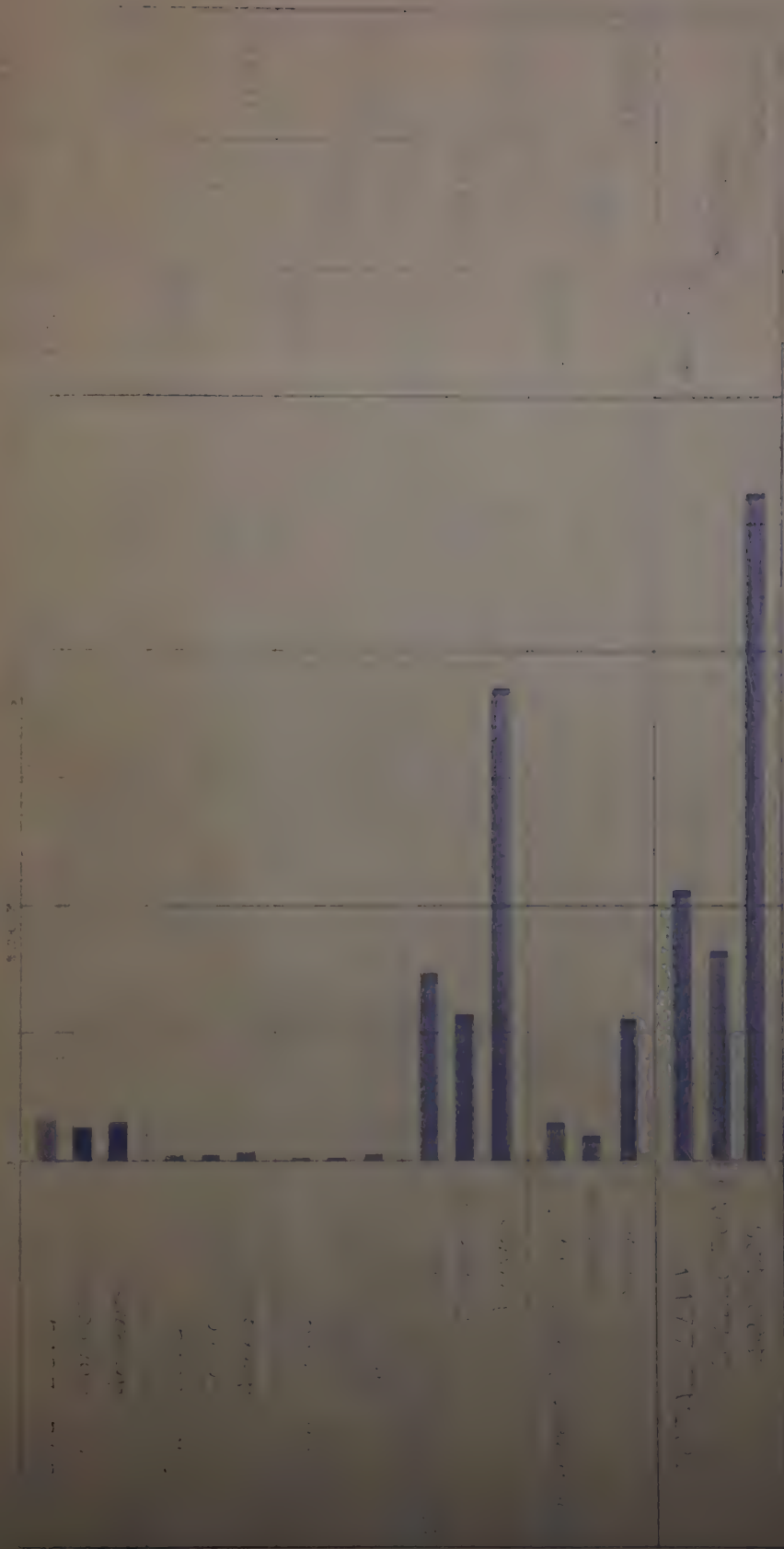
The advantages to be derived from the adoption of the above recommendations include the following:

1. Wherever municipalities elect to pay this tax out of general revenue, the tax base would be so broadened as to cover all persons who contribute either directly or indirectly to local taxation.

2. The present charge of discrimination as between urban and rural contributions would no longer be valid.

3. The confusion of mind on the part of urban authorities as to the basis on which the present assessment is made and as to its relation to the local assessment, would be dispelled, and existing dissatisfaction removed.

4. The revenue required by the Government from this tax could be varied periodically, and be so fixed as to bear a close relation to the cost of social services of which municipalities are now or may later be relieved.



6. WILD LANDS TAX ACT

The "Act respecting the Taxation of Wild Lands" was enacted in 1914. The imposition of this tax is stated to be "For the purpose of adding to or supplementing the revenues of the Crown a tax at the rate of 1% of the assessed value of all lands within the Province not exempt from taxation under this Act."

The main Section governing the exemption of land from the levy of this tax is contained in Sub-sections 16, 17, and 18, Section 3, and at the time of enactment read as follows:

"Subsection 16: All enclosed land which has been used for the purpose of pasturing horses, cattle or sheep which are the property of the owner of the land, and upon which horses or cattle to the number of at least one, or sheep to the number of at least three, for every ten acres so enclosed, have been pasturing for six months during the previous year; provided the Minister of Municipal Affairs may by written order modify the requirements of this subsection for any given year or years and for any section or sections of the Province:"

"Subsection 17: Land owned by a bona fide farmer who is actually residing on some portion of same; provided that the exemption under this clause shall not exceed 640 acres in the aggregate; such exemption, however, may cover parcels of land which are not contiguous but which are situated within a radius of nine miles from the home of the owner:"

"Subsection 18: The land of any owner where each section or portion thereof has had one-fourth of its area under cultivation or crop during the previous year; provided that where the owner has several portions of land within a radius of nine miles and in the same assessment district the area under cultivation or crop may be on any portion:"

Until the year 1921 assessments for the purpose of this Act were made by officials of the Department of Municipal Affairs, and in that year lands became assessable throughout the Province for municipal purposes, and the assessed value established for that purpose became the assessed value for the levying of this tax.

Since the Act came into force in 1915, modifications have been made through ministerial regulations. In 1922 the use of land for grazing purposes by stock of a bona fide lessee made exemption from this tax possible; and later the number of stock required to secure exemption was modified in certain areas - particularly drouth areas - instead of one head for every 10 acres, it was changed in varying areas to one head for every 40 acres.

A study of the various assessment rolls of Municipal Districts and Improvement Districts reveals a gradual decrease in the amount of annual levy, and that the greater portion is imposed on lands in two areas; first, the grazing areas which include the semi-arid territory; and second, the brush and wooded land lying along the Western part of the Province.

LEVY AND COLLECTIONS IN MUNICIPAL DISTRICTS

| | <u>Levy</u> | <u>Collections</u> |
|------|-------------|--------------------|
| 1923 | 353,055 | 325,131 |
| 1924 | 354,103 | 320,371 |
| 1925 | 353,103 | 353,835 |
| 1926 | 247,943 | 245,508 |
| 1927 | 224,660 | 220,194 |
| 1928 | 188,838 | 201,794 |
| 1929 | 159,694 | 152,925 |
| 1930 | 143,782 | 110,092 |
| 1931 | 123,631 | 88,804 |
| 1932 | 113,390 | 85,827 |
| 1933 | 107,231 | 69,349 |

LEVY AND COLLECTION IN IMPROVEMENT DISTRICTS

| | <u>Levy</u> | <u>Collections</u> |
|------|-------------|--------------------|
| 1923 | 168,118 | 221,462 |
| 1924 | 176,785 | 144,440 |
| 1925 | 208,800 | 156,362 |
| 1926 | 87,726 | 98,081 |
| 1927 | 94,958 | 93,709 |
| 1928 | 82,960 | 93,196 |
| 1929 | 82,960 | 83,824 |
| 1930 | 69,105 | 46,504 |
| 1931 | 42,641 | 29,139 |
| 1932 | 39,022 | 26,441 |
| 1933 | 37,701 | 22,507 |

TOTAL COLLECTIONS FROM M. D. AND I. D.

| | |
|------|---------|
| 1923 | 546,593 |
| 1924 | 464,811 |
| 1925 | 510,187 |
| 1926 | 343,589 |
| 1927 | 313,903 |
| 1928 | 294,990 |
| 1929 | 236,749 |
| 1930 | 156,596 |
| 1931 | 117,943 |
| 1932 | 112,268 |
| 1933 | 91,856 |

In recent years considerable objection has been taken to the inequitable nature of this levy, particularly by owners of large areas of land for which there exists little if any demand, and by loan companies and mortgage associations who have become possessed through foreclosure proceedings of a large number of parcels of land.

In a brief submitted to the Tax Inquiry Board by the Managing Director of one of the Corporations owning large areas of brush land, the following observations are made:

"It is presumed that the Act was based on the principle that socially-created wealth should contribute its quota to the welfare of the State."

"Accepting this principle as sound, it is admitted that at the time the Act was passed, and possibly for a few years subsequent to its enactment, the then existing settlement and development did enhance the value of alternate sections of unoccupied lands already alienated from the Crown."

"In 1934 and for several years past, such lands have become a serious liability. The heavy demands of Municipal, School and Provincial taxation on unoccupied lands are threatening the stability of Land Settlement Companies holding large acreage of unsold land, and proportionately hard on owners of moderate acreage."

"Post war economic conditions, with world disturbance beyond local or company control, have had the following effect:

1. To render farming unprofitable and an occupation unattractive.
2. To stop immigration into Canada of people desirous of going on to the land.
3. To stop land sales until normal conditions return.
4. The burden of taxes has compelled owners to sacrifice large acreage to the Municipalities under Tax Recovery Proceedings.
5. To make collections of payments due under land contracts exceedingly difficult.

6. To endanger the forfeiture of large areas of land still held by private owners, and thereby substantially reduce municipal revenues.

By an amendment to the Act passed in the 1934 session of the Legislature, the owners of land subject to The Wild Lands Tax were granted the right of appeal to the Alberta Assessment Commission, and appeals affecting the assessment of thousands of parcels of land have already been lodged. In view of the fact that the Commission has interpreted the words in the Act "capable of being used for grazing or cultivation" to mean "capable of being economically used", it is anticipated that this restrictive interpretation will result in a substantial diminution of the acreage subject to assessment, and that a corresponding reduction in provincial revenue will follow.

In a brief submitted to the Board by the Hudson's Bay Company the following observations are made:

"Whatever justification there may have been for The Wild Lands Tax in the first instance, the reasons for its existence have long since disappeared. Land is no longer held at speculative prices. Owners have made every effort at great expense to dispose of their lands or to lease them, largely without result because under present conditions the lands are mainly unsaleable."

"While the primary reason for The Wild Lands Tax may have been to discourage speculation, in the past few years its imposition has been the important factor in leading to the abandonment of lands and consequent loss of much greater revenue to schools and municipalities than has been realized by the Government."

"An extremely important factor in the levying of taxes is "ability to pay": the ability to pay should be inherent in the property that is taxed, and not in the owner of the taxed property. It is obvious that the type of land which bears The Wild Lands Tax is less able to produce revenue to pay taxes than any other class of lands in Alberta. The tax is economically unsound, and on this count should be condemned."

RECOMMENDATIONS:

Having regard to all the facts, the Board has reached the following conclusions:

1. That the aims of the Legislature, when this Act was passed in 1914, have virtually been accomplished.
2. That the continuation of this impost constitutes a penalty on private ownership of unoccupied lands.
3. That in view of the fact that the reduction in revenue from \$510,000 in 1925 to approximately \$85,000 in 1933, and that as a result of appeals further reductions are expected, the residue of the lands subject to this tax can only be regarded as salvage.
4. That the present burden of municipal and school taxes, together with the Supplementary Revenue Tax and The Wild Lands Tax, is resulting in the abandonment of lands to the municipality, and that the burden of the latter tax is primarily the cause.
5. That the principles upon which agricultural lands in the Province are at present assessed tend to place a heavier burden of taxation on inferior lands than on those possessing a higher productive capacity.
6. That where abandonment of lands is due to provincial taxation, a grave injustice is inflicted on the municipalities and school districts in which such lands are located, and revenues badly needed by them are consequently lost.
7. That further abandonment of these lands would be substantially averted by the abolition of this Tax.

7. PRINCIPLES OF LOCAL TAXATION

Among the numerous briefs submitted to the Tax Inquiry Board, a unanimity of opinion was expressed as to the need of a clearer recognition of the underlying principles applicable to Local taxation. It was widely felt that a more exact definition of the respective fields of Federal, Provincial and Municipal taxation should be made.

The charge was frequently made that the Dominion Government had, chiefly since the War, invaded the field of direct taxation which the Provinces had come to regard as exclusively their own. This charge related mainly to the imposition of the Dominion Income Tax. While it is true that the Dominion Government possesses the power to raise money "by any mode or system of taxation", the B. N. A. Act strictly limits the powers of the Provinces to those forms of imposts generally described as "direct taxation."

It was also charged that the Provincial Government had invaded the field of municipal taxation, mainly by the imposition of a Provincial Income Tax, resulting in the abandonment by some of the Cities of a liquid source of revenue known as the "Service Tax", and also by the Supplementary Revenue Tax, the Amusement Tax, Beer Licenses and Gasoline Tax.

The theory was also advanced, not without valid grounds, that municipal governments functioned largely as delegates, and that Provincial Legislatures in Western Canada had been too liberal in the delegation of duties to municipal authorities, and far too reluctant to provide adequate sources of revenue for their support. This complaint had reference mainly to the cost of educational services, health services, old age pensions, mothers' allowances and the obligations of unemployment relief.

It was also contended that the establishment of three taxing authorities in Canada was not primarily designed to accentuate the principle of "local autonomy", but rather to ensure administrative efficiency in all matters involving the taxation of the people.

The situation in respect to the cost of education borne at present by municipalities cannot be ignored. The view that a national service such as education should depend to a great extent on the financial exigencies of local municipalities is rapidly being dissipated by the harsh logic of events, and a more enlightened application of the principle of national responsibility for a service so national in character has become urgent.

The restriction of local taxation for the support of education to land only, serves to accentuate the need of a changed basis by which all who benefit would be obliged to contribute to the cost, and among the beneficiaries neither the Dominion nor the Province should repudiate its proper share.

In a memorandum submitted by Mr. McKee, Superintendent of Edmonton Public Schools, the following statement is made:

"According to our Constitution, education is a Provincial responsibility. The Department of Education creates its School Act, determines courses of study, says what text books are to be used, certifies teachers, and inspects the work done. The main duty devolving upon the local school board is to provide the money. On account of its constitutional responsibility, and its preponderating influence in determining the service, the Provincial Government is under obligation to share to a much greater extent in the financing of the operations of the schools."

In respect to the cost of Unemployment Relief the situation is sufficiently grave to call for comment. This problem is mainly evident in the Cities of the Province. In order to finance the heavy obligations involved, the City of Edmonton has found it necessary, during the last few years, to capitalize costs to the extent of roughly \$1,000,000. This is in addition to large cash contributions raised by current taxation. This capitalization has become a charge against real property in the City for the ensuing ten years, and it is anticipated that present and future costs will require to be dealt with

in the same way. The effect of this additional debt against land, with over 90% of the cost of education charged in like manner, is not only discriminatory as to the classes composing the population of the City, but is destructive of the value of real estate upon which nearly 80% of the total revenue of the City depends.

The following statements by taxation authorities are worthy of note:

"Land values may be destroyed by taxation, and, other things being equal, every change in taxation results in a proportional change in land values." Prof. T. Ely.

"The increasing taxation on Capital Value is certainly a most effective method of cheapening land, and of obtaining its nationalization or municipalization by the gentle art of theft." Prof. A. B. Clarke.

In the Western Municipal News, October 1933, Professor A. B. Clarke, University of Manitoba, makes the following statements:

"Just as the Dominion Government has encroached on the taxation field of the Province, so the Province in turn, under financial pressure, has invaded the municipal revenue field."

"The services our municipal governments perform are either (1) specifically local or (2) general services. The specific services are those which confer upon local taxpayers as a whole, a direct and peculiar benefit more or less commensurate with the burden they entail. The rapid rise in municipal tax rates has been chiefly due to the steady increase in the number and expensiveness of the general or national services performed by our municipalities, such as education, police protection, care of public health, and relief of unemployed. The revenue required for such general services must be raised by taxes onerous to the taxpayer, and the appropriate basis for such is that of 'ability to pay'."

"It is true that the Provinces, while deprived of the customs and excise duties enjoyed by the Pre-Confederation Colonies, have some compensation in the Dominion Subsidy. But in 1868 - the first year after Confederation - the subsidies of the four original Provinces amounted to 23% of the revenue derived from custom and excise duties; whereas now the subsidies of all the nine Provinces amount to only 6% of the revenue from customs and excise."

Among the representations made by the City of Vancouver to the Harper Commission are the following:

"The services which our municipal governments are called upon to perform may be classified into two distinct classes, namely, Specific or Local, and General or National. Services in the first class have a close relation to real property and the taxation of real property is logical and equitable. Services in the second class are not necessarily identified with real property, and should be supported from the widest possible source of taxation, being taxation other than on realty alone."

"Taxation of real property has gone beyond the point which realty can bear, to such an extent that the point of confiscation has been reached."

"That the services payable from the taxation of real property should pertain to protection incident to the ownership of real property."

"Services of a more general nature, such as education and social services should be financed from the widest source of taxation possible."

Among the recommendations contained in the Harper Report are the following:

"That real property should assume the burden of beneficial taxes. The Community as a whole should bear the burden of onerous taxes."

"That social services should not be a charge upon the land."

"That unemployment relief is not a burden which the land should carry."

"That Mothers' Pensions should be a wholly Provincial obligation."

Among the recommendations contained in the Bradshaw Report, July 21, 1934, respecting matters of taxation in the City of Winnipeg, are the following:

"Increase in education grants to City schools by 50%."

"Payment to City of Winnipeg of 25% of taxes collected by Provincial Government which originate in Winnipeg, viz. income, liquor, gasoline, auto, railway and amusement taxes."

"Elimination of levy on City for Old Age Pensions."

It will be seen from the foregoing quotations that the problem of the equitable distribution of the cost of social services is not confined to Alberta, but is causing the gravest concern among taxing authorities throughout Western Canada.

It is evident that in the matter now under review there exists two main schools of thought. One is represented by a demand for a substantial increase of Provincial contributions to Municipalities by way of a share in the revenues of the Province derived from income tax, amusement tax, motor licenses and liquor profits.

The other school is represented by a growing demand that the cost of social services such as education, health and unemployment relief be assumed by the superior taxing governments, and that a measure of central supervision and control of local administration be established.

It will be noticed, however, that in so far as the issues raised relate to the existing obligations of the Cities in the Province, and to the taxation structure now in force, there is a common and an insistent demand for a change by which the burden of the cost of social services can be relieved, and by which the scope of municipal taxation can be broadened.

8. MUNICIPAL ASSESSMENTS

purposes,
In order to get a good assessment for taxation two requisites are necessary. The first is that all taxable property be tabulated, and the second that a correct valuation be made. To secure the first is not a difficult task, but to secure the second requires capable assessors accustomed to apply well-established principles in the valuation of real property.

RURAL ASSESSMENTS:

In Alberta the assessment of farm lands is made on the basis of what the assessor conceives the "fair actual value" would be in their raw state. While in the early stages of farming this rule may have roughly served its purpose, it is doubtful if its continuance can much longer be justified. In old and settled communities, where records are rarely available, assessments made on this basis have often been found to be far from reliable.

It should also be noted that on this basis, taxation tends to place an inequitable burden on the owners of vacant land and on the small homesteader, and correspondingly to relieve the owners of land brought to a more productive stage of development.

All rural assessments are made triennially, and are subject to supervision by the Alberta Assessment Commission. The equalized assessment fixed by this body not only becomes the assessment for the Supplementary Revenue Tax, but also for municipal levies. The efforts of the supervisory body and the local assessor are designed to bring about greater uniformity both as to methods and principles of assessment in rural municipalities.

In Manitoba and Saskatchewan farm lands are assessed on the basis of present actual value, exemption being allowed only in respect to the value of buildings. Assessments made on this basis bear a closer relation to productive value than those made on the basis now operative in Alberta.

URBAN ASSESSMENTS:

In Alberta the assessment of real property in urban units is entirely left to local assessors, with no supervision by a central authority. The methods and principles used may be, and often are, different in important details from those adopted in another area. While it is true that the law requires assessments to be based on the principle of "fair actual value", in practice interpretation of that elusive phrase by individual assessors leads to confusion and dissatisfaction among large bodies of taxpayers.

In regard to the assessed values placed on urban lands, as distinct from the assessment of buildings, the disastrous influence of the Single Tax continues to be felt, and inflation for purposes of assessment and taxation is still evident, particularly in the larger cities. Little if any attempt is being made, as between cities of a similar type, like Calgary and Edmonton, to use uniform principles in the assessment of lands, and the problems connected with different classes of land, such as residential lots, acreage, wholesale, retail and industrial sites, are left to the exclusive judgment of the local assessor.

Due to the absence of centralized supervision and common methods of valuation, defects are also evident in respect to the assessment in urban units of buildings and improvements. In the case of Edmonton, no depreciation in buildings was allowed from 1924 to 1933, and a similar condition exists in Calgary. In the new assessment made in Edmonton in 1933 principles of depreciation and obsolescence were applied, but they have no common acceptance among other cities in the Province. In one city no recognition of the value of buildings being affected by obsolescence is given, and in another city, principles of a somewhat novel character in regard to depreciation are now used.

It has been pointed out that while the local assessment in rural units corresponds with the equalized assessment used for the purpose of the Supplementary Revenue Tax, in urban units no such condition exists. On this account the Assessment Commission is required to use a series of factors in addition to land values, and figures are thus reached which do not correspond to the local assessment. While in rural units a uniform rate of 2 mills is applied, in urban units rates varying from $1\frac{1}{4}$ to 6 mills are found necessary.

It is common knowledge that appeals from the local assessment of real property in the cities of the Province have become so numerous as to cause the gravest concern among civic authorities. At the moment it is announced that the Calgary appeals to be heard by the Alberta Assessment Commission, amount in assessed value to a sum exceeding \$6,000,000, or roughly one-tenth of the City's total assessment for 1935. It will therefore be evident that any decision by the Commission resulting in reduced assessments, must inevitably affect the whole taxation structure of the city.

It has been said that "a proper and fair valuation is the backbone of an equitable and just taxation system", and the conditions now referred to indicate that city assessments are still far from satisfactory. Co-operation between assessors of different municipalities, and the supervision of assessments throughout the Province by a central organization, would go a long way in providing a remedy for existing defects.

It should be observed, however, that the defects mentioned are by no means peculiar to this Province, but the fact needs to be stressed that other Provinces are taking appropriate steps to correct them.

In the Report of the Municipal Taxation Commission (1935), British Columbia, the following statements are worthy of note:

"We are of opinion that the proposed Bureau of Municipal Affairs should have jurisdiction to exercise supervision over the administration of the assessment laws and over all assessors to ensure that assessments are equitable and uniform, and for that purpose to prescribe a uniform system of procedure in the preparation of assessment forms and notices, with power to require all assessors and other municipal officials to make such returns as the Bureau may desire; to call together and have conferences with municipal assessors for purposes of advice, consultation and instruction, both in the interpretation of the law and the principles of assessment and their application."

"Such a system would help to co-ordinate the work of assessment, be a stimulus to assessors now struggling individually with their problems, and lead to uniformity and equality in taxation, both as to individuals and municipalities."

Attention is also directed to a statement contained in a report of the Manitoba Tax Commission relating to the assessment of Urban lands.

"Maps were received by the Tax Commission from the assessors of cities, towns and villages and suburban municipalities upon which are shown the assessed value per foot, or per lot, of the different properties situated therein. The assessed values are compared according to area; the density of population; the extent of the retail district; the character of the manufacturing and wholesale district; the local assessment as made by the assessor compared with the local assessment of cities, towns and villages of a similar character."

It is felt that if such a policy, involving centralized supervision and the application of uniform methods and principles of assessment, were adopted in Alberta, a sounder system of real property assessment would follow, the present widespread dissatisfaction among urban taxpayers would be allayed, and little objection taken to the stabilization of urban land assessments covering a period of years.

Having regard also to the fact that the Provincial Government will continue to require revenue by way of the Supplementary Revenue Tax, centralized supervision and the application of uniform methods of assessment cannot but be accepted as essential elements in the taxation structure of every municipality in the Province.

9. CITY OF EDMONTON

ASSESSMENT AND TAXATION

The City of Edmonton derives its annual revenue from the following sources: (1) Land Taxes based on assessment of Real Property including land and buildings. (2) Business Taxes based on an assessment of the rental values of premises occupied. (3) Service Taxes (abandoned in 1932). (4) Licenses. (5) Profits from Utilities. (6) Departmental Revenue. (7) Provincial Grants. (8) Miscellaneous.

Property Assessment:

The City Charter directs that land shall be assessed at its "fair actual value", and buildings at from 50% to 100% of value, the rate in force in 1933 having been 60% of the value of business premises and 54% of the value of dwellings, and in 1934 60% of the former and 50% of the value of the latter.

The Charter also provides that the assessments can be carried forward from year to year, and this course was followed from 1924 to 1933 inclusive. A new assessment of both land and buildings was made in 1932 and put into force in 1934.

The City is divided into two zones: (1) An Inner or Urban Zone; (2) An Outer or Suburban Zone, the tax rate on the latter being limited by order of the Public Utilities Commission to 20 mills.

By the application of the principles of the Single Tax, the City for many years confined its assessment of real property to land only, buildings and improvements being exempt, and in 1914 the assessment reached the enormous figure of \$191,283,970. By the year 1917, when the assessment had been reduced to \$100,917,090, it was found that this method of taxation failed to meet the financial needs of the city, and in 1918 a partial assessment of buildings was adopted.

The following figures covering the past 21 years indicate the manner in which Edmonton's assessment of Real Property has diminished from \$188,539,120 in 1913 to \$56,414,645 in 1934, together with the advance of the mill rate from 16 mills in 1913 to 54 mills in 1934.

| <u>YEAR</u> | <u>ASSESSMENT</u> | <u>MILL RATE</u> |
|-------------|-------------------|------------------|
| 1913 | \$ 188,539,120 | 10.00 |
| 1914 | 191,283,970 | 17.50 |
| 1915 | 171,361,830 | 16.75 |
| 1916 | 132,474,845 | 21.00 |
| 1917 | 100,917,090 | 25.50 |
| 1918 | 92,404,590 | 30.00 |
| 1919 | 76,665,530 | 35.30 |
| 1920 | 79,191,550 | 45.00 |
| 1921 | 80,213,980 | 39.90 |
| 1922 | 62,928,880 | 39.70 |
| 1923 | 61,935,100 | 40.00 |
| 1924 | 61,065,375 | 41.00 |
| 1925 | 59,829,245 | 46.00 |
| 1926 | 58,827,450 | 44.35 |
| 1927 | 59,183,865 | 43.00 |
| 1928 | 59,739,970 | 47.00 |
| 1929 | 63,176,880 | 46.50 |
| 1930 | 65,687,070 | 47.50 |
| 1931 | 66,496,485 | 49.50 |
| 1932 | 65,967,095 | 52.00 |
| 1933 | 65,967,095 | 50.00 |
| 1934 | 56,414,645 | 54.00 |

The following figures indicate the division of assessment as between Land and Buildings for the years stated:

| | 1931 | 1932 | 1933 | 1934 |
|--------------|--------------|--------------|--------------|--------------|
| Land Asses't | \$35,650,690 | \$34,691,225 | \$33,939,315 | \$26,865,420 |
| Building " | 30,245,795 | 30,808,170 | 31,192,565 | 28,325,805 |

It will be noted that the 1934 land assessment is less than the previous year by over \$7,000,000, and the building assessment less by over \$2,000,000. It is also significant and commendable that, for the first time in the history of the city, its assessment of buildings is in excess of its land assessment.

In this connection Statistics relating to the burden of the Property Tax in American Cities of over 30,000 population issued by the Institute for Economic Research, Northwestern University, Chicago, are worthy of note. The following is quoted:

"In 1928 General Property Tax yielded 64% of total revenue receipts. Real Property constituted 83% of the basis on which the property tax was laid, and produced 53% of the total revenue receipts. Special assessments and special charges falling principally on real estate produced an additional 8% of the total. Buildings bear approximately 34% of total revenue from real estate, and Land 19%".

The fact that in the year prior to 1934 the land assessment in the City of Edmonton exceeded by substantial amounts the assessment of buildings is primarily traceable to two factors. The first is that of the continued influence of the Single Tax principle which resulted in highly inflated assessment of land with corresponding excessive taxation. The second factor is the obvious reluctance on the part of city authorities to assess buildings in excess of from 50% to 60% of their actual value.

The following is a schedule of assessments, levies, municipal and school rates from 1904 with intervals to 1934 - a period of 30 years.

| Year | Assessment | Levies | Municipal | School | Total |
|------|-------------|-----------|-----------|--------|-------------|
| 1904 | 3,959,648 | 75,698 | 10.50 | 6.50 | 17.00 mills |
| 1910 | 30,105,110 | 563,494 | 12.80 | 4.20 | 17.00 |
| 1914 | 191,283,970 | 3,769,970 | 13.22 | 4.28 | 17.50 |
| 1918 | 92,404,590 | 3,655,371 | 21.20 | 8.80 | 30.00 |
| 1922 | 62,928,880 | 3,366,180 | 20.85 | 13.85 | 34.70 |
| 1926 | 58,827,450 | 3,474,013 | 23.35 | 21.00 | 44.35 |
| 1930 | 65,687,080 | 4,074,539 | 24.70 | 22.80 | 47.50 |
| 1931 | 66,751,570 | 4,281,072 | 26.94 | 22.56 | 49.50 |
| 1932 | 66,099,395 | 4,423,989 | 29.20 | 22.80 | 52.00 |
| 1933 | 65,756,720 | 4,136,032 | 27.40 | 22.60 | 50.00 |
| 1934 | 56,414,645 | 4,394,469 | 38.78 | 25.25 | 64.00 |

It will be noticed that while the assessment for 1934 is less than that of the previous year by \$9,342,075, the levy for 1934 exceeds that of 1933 by \$258,437.

Financial authorities regard current tax collections as an excellent indicator of the ability of citizens to pay, and the following table shows the relation in the City of Edmonton of current collections to the respective levies:

| Year | Current | Current plus arrears |
|------|---------|-------------------------|
| 1916 | 49% | |
| 1917 | 55% | |
| 1918 | 54.5% | |
| 1919 | 69.36% | |
| 1920 | 70% | |
| 1921 | 70.7% | |
| 1922 | 80% | |
| | | 102.67% |

| Year | Current | Current plus arrears |
|------|---------|-------------------------|
| 1923 | 80% | 104.19% |
| 1924 | 82.63% | 105.24% |
| 1925 | 85.01% | 104.44% |
| 1926 | 86% | 106.16% |
| 1927 | 87.06% | 107.32% |
| 1928 | 88.25% | 115.47% |
| 1929 | 87.96% | 110.49% |
| 1930 | 84.89% | 98.76% |
| 1931 | 80.82% | 95.36% |
| 1932 | 76.64% | 91.18% |
| 1933 | 73.54% | 90.14% |

In a statement submitted to The Tax Inquiry Board by Commissioner David Mitchell, the above matter was referred to in the following terms:

1. "That for a number of years Municipal Tax Collections have declined, while the burden of taxation on Real Property, particularly on account of social services and unemployment, has increased and even become confiscatory."
2. "That the situation throughout the Dominion as to the accumulation of Tax Arrears and Forfeitures demonstrates, if nothing else, the inequitable burden of taxation on Real Property."

The amount of Tax Arrears in Edmonton outstanding as at Dec. 31st, 1933, was \$2,130,970 as compared with \$1,754,321 in 1932 - an increase of \$376,648 within the year.

The total amount of Arrears and Penalties against Lands Forfeited to the City, as at December 31, 1933, was \$5,191,242 which combined with \$2,130,970 above referred to, makes a total of \$7,322,212 still outstanding. Against this is a Reserve for non-collection amounting to \$1,146,514, the net being \$6,175,698.

CITY OF EDMONTON

Financial Statistics for the year 1933

Population 79,231

Population 5 years ago 69,744

Area of Municipality 27,200 acres

Assessed Value for Taxation..... \$ 65,756,720

Made up as follows:

| | | |
|-----------------|----|------------|
| Land Assessment | \$ | 33,974,645 |
| Building " | | 31,182,075 |
| Franchise | | 600,000. |

65,756,720

| | |
|---|---------------|
| Exemptions not included in above..... | \$ 16,518,360 |
| Total Accumulated Tax Arrears at end of 1933..... | 3,175,098 |
| Amount of Tax Levy..... | 4,136,032 |
| Amount of Tax Levy Uncollected..... | 1,066,694 |
| Tax Rate 1933: General 3.58, Deb. 23.82 | |
| Schools 22.60, Total 50 mills. | |

| | |
|--|------------|
| Total Debenture Debt..... | 31,533,559 |
| Total Sinking Fund (As divided below)..... | 9,582,012 |

Analysis of Debt and Sinking Fund

| <u>Public Utilities</u> | <u>Debentures Outstanding</u> | <u>Sinking Fund on hand</u> |
|-------------------------|-----------------------------------|---------------------------------|
| Electric Light | \$ 776,843 | \$ 259,936 |
| Power Plant | 786,830 | 211,835 |
| Street Railway | 1,025,893 | 333,377 |
| Telephone | 1,085,393 | 341,711 |
| Water Works | 3,268,815 | 870,745 |
| | <hr/> | <hr/> |
| | \$ 6,943,777 | \$ 1,003,666 |
| | <hr/> | <hr/> |

Local Improvements

| | | |
|--------------------|--------------|--------------|
| Ratepayers' Share | 2,882,788 | 1,003,942 |
| General Debentures | 21,706,993 | 6,582,012 |
| | <hr/> | <hr/> |
| TOTALS | \$31,533,559 | \$ 9,589,622 |
| | <hr/> | <hr/> |

| | |
|---|--------------|
| Amount of Debentures, such as Schools, not included in above | \$ 3,452,269 |
| Total other Liabilities, including floating debts | \$ 3,723,742 |

Public Utilities: Results for year 1933

Net profit after deducting Depreciation, Operation Expenses and
Interest and Sinking Fund Debt:

| | |
|---------------------|------------|
| Electric Light..... | \$ 194,236 |
| Power Plant..... | 285,957 |
| Street Railway..... | 3,089 |
| Telephone..... | 150,845 |
| Water Works..... | 111,294 |

Total Profit \$ 750,363

Gross Funded Debt. (city) 1933.....\$ 31,533,559

Deduct Revenue-producing Debt..... 9,826,566

\$ 21,706,993

Less Sinking Fund on General Debt..... 6,582,012

NET City Funded General Debt.....\$ 15,124,980

GENERAL REVENUE AND EXPENDITURE STATEMENT

Year ending December 31, 1933

REVENUE

| | |
|---------------------------------|-----------------|
| Municipal Revenue from Taxation | \$ 4,136,032.69 |
| Reinstatements, Penalties etc. | 148,464.94 |
| Profits from Public Utilities | 750,363.20 |
| Departmental Revenue | 255,077.10 |
| Miscellaneous " | 137,533.46 |

1933 Revenue from all sources \$ 5,427,471.39

Revenue derived from land taxation 78.90% of total.
Revenue derived from other sources 21.10% of total.

EXPENDITURE

| | <u>Cost</u> | <u>Per Capita</u> |
|---------------------------------------|------------------------|-------------------|
| Administration | \$ 159,943.75 | \$ 2.02 |
| Protection Persons and Property | 478,569.32 | 6.04 |
| Education | 1,477,052.00 | 18.64 |
| Health and Sanitation | 165,765.69 | 2.09 |
| Social Services, Civic Relief etc. | 477,037.61 | 6.02 |
| Public Works | 107,417.74 | 1.36 |
| Parks and Recreation | 70,230.76 | .89 |
| Interest and Exchange | 113,727.33 | 1.43 |
| Miscellaneous | 124,840.14 | 1.58 |
| L. I. Taxes | 126,145.06 | 1.60 |
| Debenture interest and Redemption | 1,609,522.05 | 20.31 |
| TOTALS | \$ 4,910,251.90 | \$ 61.98 |

It will be noted that of the above total expenditure the City's Debt Charges and the cost of Education required the sum of \$3,086,574.05.

In the distribution of Expenditure Dollar the Debt Charges take 32.77¢, and Education takes 30.08¢.

SUMMARY OF COST OF SOCIAL SERVICES AND UNEMPLOYMENT RELIEF

| <u>1933</u> | <u>Cost</u> | <u>Per Capita</u> |
|--------------------------|----------------------|-------------------|
| Direct Relief | \$ 379,135.00 | 4.790 |
| Children's Aid | 18,942.14 | .239 |
| Civic Relief | 48,183.13 | .608 |
| Grants | 35,038.68 | .442 |
| Royal Alexandra Hospital | 117,511.50 | 1.484 |
| Mental Defectives | 4,649.40 | .059 |
| T. B. Patients | 17,937.62 | .226 |
| Old Age Pensions | 16,532.72 | .209 |
| Mothers' Allowance | 40,807.95 | .515 |
| TOTALS | \$ 678,738.14 | 8.572 |

The Service Tax

In 1921 the right enjoyed by Cities to impose an Income Tax was withdrawn by the Provincial Government, but power was granted them to impose a "Service Tax". Single persons with incomes of over \$1,000 a year and married persons with incomes of over \$1,500 a year became liable for this tax. A maximum tax of \$250 was levied on incomes exceeding \$5,000. In the case of property owners, this tax was set off against the land tax, the greater of the two only being paid.

In 1932 the Provincial Income Tax came into force resulting in the abandonment by the Cities of the Service Tax. On account of the loss of revenue of approximately \$60,000 a year by each of the Cities of Calgary and Edmonton, the Government agreed to reimburse each by way of a grant of \$60,000 for the years 1932 and 1933, reducing it in 1934 to \$45,000.

The following figures indicate the rates in force in 1934 in respect to the Provincial Income Tax, and the rates which were payable under the now abandoned Service Tax.

| Income | Provincial Income Tax | | City Service Tax | |
|--------|-----------------------|---------|------------------|---------|
| | Single | Married | Single | Married |
| \$850 | 1.00 | nil | nil | nil |
| 1,000 | 2.50 | " | 8.50 | " |
| 1,250 | 5.00 | " | 12.00 | " |
| 1,500 | 7.50 | " | 16.00 | 10.00 |
| 1,750 | 10.00 | 2.50 | 20.00 | 13.50 |
| 2,000 | 12.50 | 5.00 | 30.00 | 17.00 |
| 2,500 | 17.50 | 10.00 | 52.50 | 27.50 |
| 3,000 | 25.00 | 15.00 | 80.50 | 42.50 |
| 3,500 | 35.00 | 20.00 | 110.50 | 60.00 |
| 4,000 | 47.50 | 30.00 | 137.50 | 82.50 |
| 4,500 | 62.50 | 40.00 | 175.00 | 115.00 |
| 5,000 | 80.00 | 55.00 | 250.00 | 165.00 |

The above rates apply to persons having no dependents.

Government Grants, 1933

The following Provincial Government's Grants to the City for the year 1933 are recorded in the City's Annual Report.

| | |
|--------------------------|---------------------|
| Public Schools | \$ 90,000.00 |
| Separate Schools | 12,095.66 |
| Public Library | 700.00 |
| Hospital Board | 22,841.50 |
| Royal Alexandra Hospital | 50,189.50 |
| Exhibition Association | 5,400.00 |
| In Lieu of Service Tax | 60,000.00 |
| TOTAL | \$241,226.66 |

TAX ARREARS AND TAX SALE LANDS

The amount of arrears outstanding as at December 31, 1933 was \$2,130,970 as compared with \$1,754,321 in 1932, an increase of \$376,648 within the year. As a result of the operation of the 1932 Caveat \$211,889 was transferred from the Tax Rolls to Tax Sale Lands' Account, and due to non-collection of taxes in 1933 the sum of \$1,066,894 was added, together with \$148,464 representing penalties on unpaid taxes.

The total amount of Arrears and Penalties against Lands Forfeited to the City, as at December 31, 1933 was \$5,191,242 which, combined with the amount of \$2,130,970 above referred to, makes a total of \$7,322,212 still outstanding. Against this is a Reserve for non-collection of \$1,146,514, the net figure being \$6,175,698.

While the Annual Report of the City for 1934 has not yet been issued, the following information respecting the matter under review has been obtained from officials of the City.

The area of the Municipality of Edmonton covers 27,200 acres, more than one-half of which has been forfeited to the City for non-payment of taxes. The acreage forfeited consists of 56,057 parcels of land out of a total of 100,000. The following table indicates the extent to which land has been forfeited during the year 1930 to 1934 inclusive.

| Year | Parcels | Assessed Value | Cost to City (Tax Arrears) |
|---------------|-------------|--------------------|----------------------------|
| 1930 | 921 | \$ 224,130 | \$ 75,859 |
| 1931 | 973 | 183,790 | 68,140 |
| 1932 | 896 | 327,705 | 150,987 |
| 1933 | 1499 | 380,115 | 110,835 |
| 1934 | 1699 | 585,840 | 211,889 |
| TOTALS | 5958 | \$1,700,780 | \$ 617,712 |

In 1934 the assessment roll of the City totalled \$56,479,350 and the assessed value of property which had reverted to the City, paying no taxes, and forcing property-owners to "carry", stood at \$8,897,380.

The following Table shows how the assessed value of Tax Forfeited property compares with the assessment roll in each of the years indicated:

| Year | Assessment Roll | Assessment Forfeited Property |
|------|-----------------|----------------------------------|
| 1930 | \$ 65,687,070 | \$ 10,284,570 |
| 1931 | 66,496,480 | 10,348,150 |
| 1932 | 66,099,390 | 10,651,000 |
| 1933 | 65,756,720 | 11,051,350 |
| 1934 | 56,479,350 | 8,897,380 |

In 1934 the assessment on City owned property sharply declined because of the general reduction in civic assessment.

The alarming condition of the City's taxation structure, as disclosed by the figures relating to Forfeited Lands, is further accentuated by a statement issued from the City Assessor's office. The information is in respect to home property.

| | |
|--|--------|
| Number of Residences as per 1934 Assessment Roll | 15,876 |
| Number of Residences in arrears of taxes to end of 1933 | 4,537 |
| Number of Residences subject to Tax Caveat | 2,314 |

From the figures presented as to growing tax arrears, and the number of home properties subject to Caveat, it must be obvious that unless appropriate measures are taken this process of confiscation of real property is bound to continue.

It should be noted that while in the early years a large proportion of forfeited lands in the City was owned to a great extent by non-residents, and was held for speculation, in recent years an increasing number of parcels consist of improved properties, sites with utilities available purchased by residents for the purpose of erecting homes, and others in the heart of the City bought for the specific purpose of business development.

The problem of urban municipal taxation, as indicated in this brief review of conditions in the City of Edmonton, cannot be divorced from the problem of taxation throughout the Province, and its solution hinges on a general rather than local readjustment.

It is clear that the financial difficulties now confronting the City have been greatly aggravated by the obligations relating to unemployment relief and other social services of a character that cannot properly be regarded as local.

Financial embarrassment has also been caused by the large percentage of the cost of education falling on owners of real property, and no equitable revision of the tax burden can be attained without a fuller recognition by the three taxing authorities of the principles:

1. That the taxation of real property for the support of objects other than those beneficial to it, results in discrimination as between the various classes of people in the community.
2. That such social services of a local character provided by the community, and beneficial to it, should receive its financial support, not from one type of wealth only, but from the general revenues of the community.
3. That such social services as are either of a provincial or national character should be supported by funds derived from general rather than local taxation.

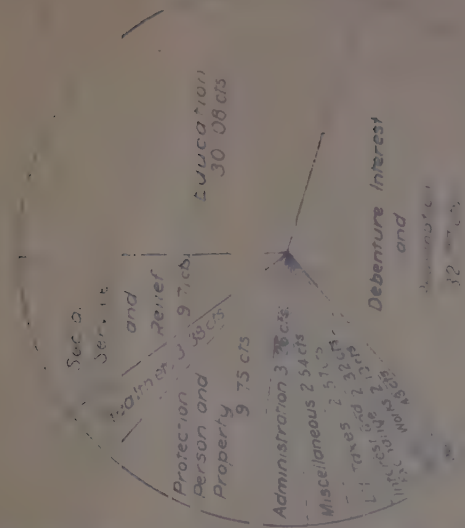
The attached chart shows the expenditure of the City of Edmonton in the year 1933, the per capita cost of the various services, and the distribution of expenditure dollar.

CITY OF EDMONTON

EXPENDITURES - 1933

| | \$ 1,000,000 | \$ 2,000,000 | EXPENDITURE TOTAL | PER CAPITA |
|--------------------------------------|--------------|--------------|----------------------|------------|
| Administration | | | 159,943.75 | 2.02 |
| Protection of Person and Property | | | 478,569.32 | 6.01 |
| Education | | | 1,477,052.00 | 18.64 |
| Health & Sanitation | | | 165,765.69 | 2.09 |
| Social Service Civic Relief, etc. | | | 477,037.61 | 6.02 |
| Public Works | | | 107,417.74 | 1.36 |
| Parks and Recreation | | | 70,250.76 | 0.80 |
| Interest & Exchange | | | 113,727.33 | 1.43 |
| Miscellaneous | | | 124,840.14 | 1.58 |
| Lt. Taxes on City's own land | | | | |
| Debt Interest and Redemption | | | | |

TOTAL \$490,251,906.18



DISTRIBUTION OF EXPENDITURE DOLLAR

10. CITY OF CALGARY

ASSESSMENT AND TAXATION.

The City of Calgary derives its annual revenue from the following sources: (1) Land Taxes; (2) Business Taxes; (3) Licenses; (4) Profits from Utilities; (5) Departmental Revenue; (6) Provincial Grants; (7) Miscellaneous.

Real Property Assessment and Taxation:

For many years the Single Tax principle was adopted by this City but was abandoned in 1918 by a change of policy resulting in the inclusion in the assessment of a percentage of the value of buildings. In 1914 the land assessment had reached the inflated figures of approximately \$180,000,000. By periodical reductions the land assessment in 1933 had reached the sum of \$26,118,095, and in 1934 it was further reduced to \$25,161,455. The following figures indicate the assessment of both land and buildings for the years mentioned:

| | 1933 | 1934 | Increase | Decrease |
|------------------|---------------|---------------|----------|--------------|
| Land | \$ 26,118,095 | \$ 25,161,455 | | 956,640 |
| Buildings | 34,719,520 | 34,552,135 | | 167,385 |
| Franchise | 1,739,481 | 1,743,352 | 3,871 | |
| Total Assessment | \$ 62,577,096 | \$ 61,456,942 | | \$ 1,120,154 |

Despite the substantial reductions in the land assessment, it is the opinion of competent authorities that an element of inflation in land values still exists, and that the values set for assessment purposes are in excess of the "fair actual value".

That the influence of the Single Tax idea still prevails to some extent is to be seen in the fact that in this City the assessment of buildings, both as to dwellings and business properties, has been restricted to 50% of the estimated value, and for comparative purposes it may be pointed out that in the City of Edmonton the assessment of business properties is based on 60% of the total value.

A more accurate picture of the relation between the value of land and the value of buildings can be seen by placing the full 100% on the value of buildings, and the following figures are worthy of note:

| | |
|----------------------|---------------|
| Land values | \$ 25,161,455 |
| 100% Building values | 69,104,237 |
| Total Value | \$ 94,265,692 |

The relation which the assessed value of the land bears to the full value of the buildings added to the land is roughly 25% of the total, and indicates that the policy of progressive reduction of land assessments adopted some years ago by the City is one wholly to be commended.

The following figures show the total assessment for the years stated and the respective mill rates imposed.

| | Assessment | General Rate | School Rate | Total |
|------|---------------|--------------|-------------|-------|
| 1930 | \$ 64,180,287 | 21.68 | 24.32 | 46 |
| 1931 | 66,102,934 | 23.47 | 23.53 | 47 |
| 1932 | 66,848,462 | 29.22 | 22.78 | 52 |
| 1933 | 62,577,096 | 30.77 | 19.23 | 50 |

The following figures show the amount of Tax Levies and the amount of Levies uncollected for the year stated:

| | Levy | Uncollected |
|------|-----------|-------------|
| 1930 | 3,888,916 | 573,822 |
| 1931 | 4,089,696 | 722,982 |
| 1932 | 4,409,064 | 1,041,276 |
| 1933 | 3,894,175 | 1,025,153 |

The following table shows the taxes collected for the years 1930 to 1933 inclusive:

| <u>Year</u> | <u>Current Levy Percentage</u> | <u>Total Collections including arrears Percentage of Current Levy</u> |
|-------------|--------------------------------|---|
| 1930 | 85.78% | 94.96% |
| 1931 | 82.97% | 95.24% |
| 1932 | 77.10% | 90.02% |
| 1933 | 73.64% | 93.55% |

Amount derived from Business Tax.

| | |
|------|--------------|
| 1930 | \$350,696.07 |
| 1931 | 340,873.65 |
| 1932 | 306,279.68 |
| 1933 | 271,017.80 |

Amount Derived from the Service Tax.

| | |
|------|--------------|
| 1928 | \$ 55,548.96 |
| 1929 | 58,760.27 |
| 1930 | 66,800.30 |
| 1931 | 62,491.20 |

Government Grant in Lieu of Service Tax.

| | |
|------|--------------|
| 1932 | \$ 60,000.00 |
| 1933 | 60,000.00 |
| 1934 | 45,000.00 |

License Receipts for years 1930 to 1933.

| | |
|------|--------------|
| 1930 | \$ 75,414.07 |
| 1931 | 65,634.71 |
| 1932 | 59,986.08 |
| 1933 | 62,087.49 |

GENERAL REVENUE AND EXPENDITURE STATEMENT ENDING DEC. 31, 1933.

REVENUE

| | |
|------------------------------------|-----------------|
| Municipal Revenue from Taxation | \$ 4,011,713.78 |
| Public Utilities Taxation | 202,680.00 |
| Government Grant (re: Service Tax) | 60,000.00 |
| Miscellaneous Revenue | 196,370.56 |

Total Revenue \$ 4,470,764.34

Revenue derived from Land Taxation approx. 90% of total.
Revenue derived from other sources " 10% " "

ANALYSIS OF DEBT AND SINKING FUND. as at end of 1933.

| | |
|--|------------------|
| Total Debenture Debt. (as divided below) | \$ 23,654,647.82 |
| Total Sinking Fund (" " ") | 9,658,756.89 |

Amount of Sinking Fund in Arrears 512,983.97

| Public Utilities | Debentures Outstanding | Sinking Fund Reserve | Sinking Fund on Hand |
|-----------------------|------------------------|----------------------|----------------------|
| Waterworks | \$ 5,174,931.46 | \$ 1,916,535.00 | \$ 1,916,535.00 |
| Elec. Light and Power | 3,037,871.54 | 1,762,738.03 | 1,762,738.03 |
| St. Railway | 2,812,885.98 | 1,554,082.30 | 1,554,082.30 |
| Hospitals | 325,095.36 | 124,959.11 | 123,521.20 |
| Totals | \$11,350,784.34 | \$ 5,358,314.44 | \$ 5,356,876.53 |

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Local Improvement

| | | | |
|-------------------|-----------------|------------------|-----------------|
| Ratepayers' Share | \$ 3,147,727.46 | \$ 1,551,916.92) | |
| Municipality's | 1,498,549.39 | 5+2,492.67) | |
| | \$ 4,646,276.85 | \$ 2,094,409.59) | \$ 4,301,880.36 |
| General | 7,657,586.63 | 2,719,016.85) | |
| Sub-Total | \$12,303,863.48 | \$ 4,813,426.42) | |
| TOTAL | \$23,654,647.82 | \$10,171,740.86 | \$ 9,658,756.89 |

Amount of Debentures, Schools, Drainage, Telephones, Hospitals, etc. not included in above for which Municipality levied taxes - (these may be jointly shared by other Municipalities) -- Schools, Net 2,855,033.37

Total other Liabilities including Floating Debt. 2,570,991.66

EXPENDITURE

For the year 1933 the Expenditure of the City has been segregated as follows; and attention is directed to the accompanying graph:

| | <u>Cost</u> | <u>Per Capita</u> |
|-----------------------------------|-----------------|-------------------|
| Administration | \$ 156,456.83 | \$ 1.88 |
| Protection Persons and Property | 443,681.12 | 5.31 |
| Education | 1,201,828.32 | 14.42 |
| Health and Sanitation | 144,486.60 | 1.73 |
| Social Service, Civic Relief etc. | 804,141.27 | 9.65 |
| Public Works | 86,644.88 | 1.04 |
| Parks and Recreation | 50,889.44 | .61 |
| Interest and Exchange | 102,146.97 | 1.23 |
| Miscellaneous | 104,150.12 | 1.25 |
| Local Imp. Taxes | 89,945.94 | 1.08 |
| Debenture Interest & Redemption | 1,049,476.35 | 12.59 |
| | \$ 4,233,847.84 | \$50.79 |

In a statement prepared in the office of the City Comptroller, Calgary, the total cost of Social Services has been segregated as shown below. The total amount does not exactly correspond to the figures prepared by the Board, but the relative cost in the years covered is illuminative.

| <u>Social Services</u> | <u>1930</u> | <u>1931</u> | <u>1932</u> | <u>1933</u> |
|------------------------|---------------------|---------------------|---------------------|---------------------|
| Children's Aid | \$ 14,584.26 | \$ 16,574.15 | \$ 14,287.57 | \$ 11,449.82 |
| Civic Relief | 96,042.01 | 286,569.84 | 469,947.03 | 585,325.96 |
| Public Charities:- | | | | |
| Holy Cross Hospital | 8,814.00 | 8,224.00 | 8,254.00 | 8,882.00 |
| General Hospital | | | | |
| Indigent | 5,000.00 | 20,000.00 | 25,000.00 | 25,000.00 |
| Convalescent Home | 3,142.53 | 3,500.00 | 3,500.00 | 2,800.00 |
| MacLeod Hospital | 3,931.74 | 3,160.00 | 2,624.25 | 1,687.20 |
| Keith Sanatorium | 12,793.00 | 18,840.37 | 21,842.50 | 19,655.00 |
| Lacombe Home | 749.28 | 1,102.00 | 791.50 | 675.69 |
| Mothers' Allowance | 30,607.00 | 31,989.50 | 29,721.45 | 29,337.50 |
| Red Deer Home | 4,852.00 | 4,166.50 | 5,401.84 | 7,734.00 |
| Amputation Assoc. | 1,200.00 | 1,200.00 | 1,200.00 | 1,000.00 |
| Gleichen Home - Men | 1,599.58 | 2,190.93 | 1,944.53 | 1,481.97 |
| Victorian Order of | | | | |
| Nurses | 1,500.00 | 1,500.00 | 1,500.00 | 1,200.00 |
| Salvation Army Mat. | | | | |
| Home | 750.00 | 750.00 | 750.00 | 750.00 |
| Old Age Pensions | 7,198.59 | 9,066.82 | 11,854.40 | 14,524.71 |
| Ponoka Hospital | 81.00 | 615.00 | 180.00 | 529.84 |
| Blind Residents & | | | | |
| Guides | | 100.00 | 300.00 | 300.00 |
| Eventide Home - Women | | 782.54 | 742.60 | 662.50 |
| Health Clinic | 3,894.95 | 3,930.84 | 3,903.75 | 3,747.79 |
| Totals | \$206,739.94 | \$414,262.49 | \$603,745.42 | \$713,803.98 |

TAX ARREARS AND TAX SALE LANDS.

The following information is extracted from the 1933 Financial Statement of the City of Calgary:

Total accumulated Tax Arrears at end of 1932 - \$1,363,854.18

Amount of Tax Sale Lands and Tax Certificates held at December 31, 1933. \$3,627,277.32

The City assessor has also supplied the following data in respect to parcels of land subject to Caveat:

| | <u>Caveats Filed</u> | <u>In Sale</u> |
|------|----------------------|----------------|
| 1928 | 1094 | 528 |
| 1929 | 771 | 426 |
| 1930 | 1127 | 350 |
| 1931 | 1561 | 221 |
| 1932 | 1719 | 360 |
| 1933 | 2365 | 567 |
| 1934 | 3004 | 1047 |

The situation in the City of Calgary in respect to this matter is similar, although not so acute, to that existing in the City of Edmonton, and the observations of the Board in another chapter of this report are applicable alike to both. It must be obvious that action, particularly along two lines, has become imperative. By the adoption of appropriate measures, the forfeiture of property must be checked and a policy adopted aiming at the rapid return to the Tax Roll of the City of all Tax Sale Lands. This is one of the available means by which a broadening of the basis of municipal taxation can be effected.

An examination of the financial structure of Calgary cannot but lead to the following conclusions:

1. That as a result of its total revenue being derived from the taxation of real property to the extent of more than 90%, this solitary base is not only shrinking through the process of forfeiture but is steadily becoming less productive.
2. That the burden of costs in connection with unemployment relief and education now borne by real property is far in excess of that which it is able to bear.

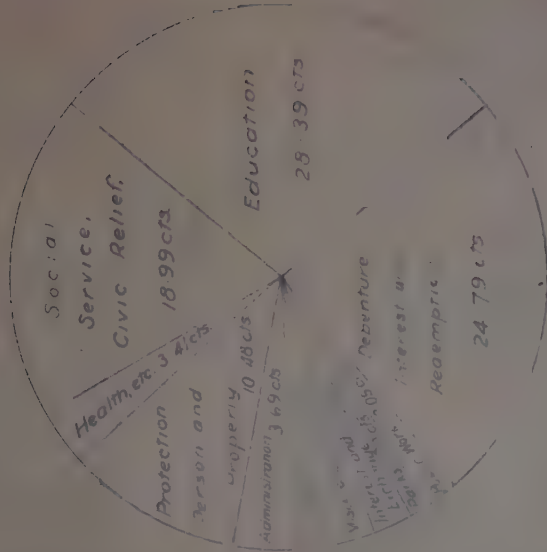
3. That the restrictive character of the city's taxation structure, in which is denied the right of taxing intangible property, amply justifies its claim to be relieved of a substantial proportion of the costs involved in the social services which it is now obliged by law to provide.

The attached chart shows the expenditure of the City of Calgary in the year 1933, the per capita cost of the various services and the distribution of expenditure dollar.

CITY OF CALGARY

EXPENDITURES - 1933

| | \$1,000,000 | \$2,000,000 | EXPENDITURE TOTAL | PER CENT |
|--|-------------|-------------|-------------------|----------|
| Administration | | | 156,456.83 | 1.88 |
| Protection of Person and Property | | | 443,681.12 | 5.31 |
| Education | | | 1,201,828.52 | 14.42 |
| Public Administration | | | 124,496.60 | 1.73 |
| Social Service, Civic Relief, Health, etc. | | | 189,996.73 | 2.31 |
| Public Works | | | 86,044.88 | 1.04 |
| Parks and Recreation | | | 50,859.44 | 0.61 |
| Interest & Exchange | | | 192,469.97 | 2.33 |
| Miscellaneous | | | 104,150.12 | 1.25 |
| L.I. Taxes on City's own land | | | 89,945.94 | 1.08 |
| Debt, interest and redemption | | | 1,049,476.35 | 12.59 |
| TOTAL | | | \$4,233,617.84 | 50.79 |



DISTRIBUTION OF EXPENDITURE DOLLAR

11. PROBLEMS OF CITY SCHOOL FINANCE

The gravity of the situation in respect to the cost of education in the Cities of the Province has been emphasized in the brief presented to the Board by the School Boards of Calgary and Edmonton, and in the briefs submitted by the Cities of Lethbridge and Medicine Hat.

Statements from official reports showing the revenue and expenditure of the School Boards of Calgary and Edmonton covering several years are appended hereto, and these will enable the reader to see at a glance the problems to which attention is so urgently directed.

Extracts from briefs

CALGARY SCHOOL BOARD

"Whereas under our constitution and our prevailing system of government, education is a Provincial responsibility, and,

Whereas the Provincial Government pays a relatively small percentage of the cost of elementary and secondary education, and has not increased its Grants commensurately with the increased educational costs of recent years, and

Whereas under existing Provincial laws apparently only one chief source of revenue is available to the individual urban districts for the support of schools, namely, a tax on real property, and

Whereas it has been found that in other countries, other sources of revenue have been set aside for educational purposes with very good results, and

Whereas the Provincial Government has wider tax bases than the local municipalities, and

Whereas we believe that the cost of education of non-resident pupils should be a direct provincial responsibility to be arranged between the Province and the Municipalities from which the non-resident pupils come, and

Whereas we believe that since the Provincial Government assumes the responsibility for the training and certification of teachers, the authorization of text books, and the general organization and conduct of the schools of the Province as laid down in the Provincial School Act, this Government should provide a definite and adequate minimum amount for the financial support of our schools, it being assumed that the said Government will undertake to raise the necessary funds for this purpose."

Resolution of Calgary Public School Board

1. "That a new financial set-up for the maintenance of Public and High Schools in the Province be established by the Provincial Government, including special financial provision for the increased enrolment in our High Schools due to present industrial and economic conditions."
2. "That the cost of the instruction of non-resident pupils be made a direct Provincial responsibility."
3. "That in the revision of our present system of taxation for school purposes a larger measure of financial responsibility be assumed by the Province, and that a large portion of the burden of taxation at present placed on real property be transferred to other sources of revenue."
4. "That we strongly urge upon the Provincial Government the necessity of setting aside for school purposes a substantial portion of the revenues derived from the mine, petroleum and other natural resources of the Province, as well as a definite percentage of the revenues received from such taxes as a luxury tax, an amusement tax, an income tax, and an inheritance tax, and that from such funds substantially

increased grants be made to local school districts throughout the Province so that our schools may be placed upon a more secure foundation in regard to the services that they are called upon to provide."

EDMONTON SCHOOL BOARD

"The financing of education is in a most precarious state."

"With the reversion of land to the City the School Board's tax base is narrowing. Our educational services as at present constituted is being crippled."

"The situation as it stands now is that each of the three taxing authorities is hard put to meet its financial obligations, and is engaged in a scrimmage in which each is grabbing at every imaginable device for raising revenue. To end such an orgy, and, as a first step towards a sensible and logical tax structure, it would appear that these three taxing authorities should get together and determine upon "spheres of responsibility" and "spheres of taxation". Until this is done, the scramble will continue, and the "incidence of taxation" will continue unjust."

"The Federal Government has no constitutional responsibility in respect to education. It indirectly has responsibility in connection with the advancement of technical training, and has already established the precedent of making grants to the Provincial Departments of Education in aid of technical education. The Federal Government ceased making these grants some three years ago. They should be restored and distributed in such a way as to diminish the burden on the taxpayers of the municipality providing technical education."

The brief from which the above statements are extracted contains the following suggestions:

1. "That the Province assume the entire responsibility for the operating and financing of schools, or
2. That the Province appoint all teachers and assume responsibility for the payment of their salaries in accordance with a Province-wide schedule, the local municipality to be responsible for the balance of operation costs, or,
3. That the Province share on a 50-50 basis in financing the cost of secondary education, or,
4. That as long as the present method of levying school taxes prevails, the municipality must continue to be responsible to the School Board for 100% of its levy."

CITY OF LETHBRIDGE

"Public education consumes on an average 40% of the total taxation revenue."

"While the Provincial and Dominion Governments have a great variety of taxes, which can be distributed over a large class of people, the cities are compelled to furnish the most costly and important services at the expense of the property owners, until tax delinquency has almost become the rule rather than the exception."

In this brief the following resolution adopted by the Union of Canadian Municipalities, July 20, 1934, is quoted and endorsed:

"Whereas the point has now been reached where the very existence of municipalities has been imperilled by failure to recognize and apply an equitable, stabilized and permanent basis of relationship between Provincial Governments and Municipalities, both as to duties, services and revenues."

"Be it Resolved that the Union of Canadian Municipalities take immediate action to secure the co-operation and support of the Municipalities throughout Canada towards the enactment of national legislation for establishing wider powers of taxation for municipalities to relieve the burden on real property, and for an equitable and stabilized basis for the distribution of the responsibilities of social or national services between the Provincial Governments and Municipalities, and the allocation of an equitable proportion of provincial and national revenues towards the cost of such services."

CITY OF MEDICINE HAT

"Both Dominion and Provincial Governments have enacted legislation especially in the sphere of social services making it obligatory on the municipalities to contribute a large proportion of the monies expended thereon, but the senior governments have carefully refrained from allowing the municipalities any new avenues of taxation to provide for increased expenditures."

"The responsibility for these social services which by Acts of the Legislature are forced on the municipalities is essentially a Provincial one, and in some cases extends to the Dominion authorities."

"The whole burden of taxation (except for trifling grants) for educational purposes is laid upon land in every municipality and yet it cannot be denied that education is, or should be, a national and not a local obligation."

"If every child is entitled to the benefits of education, then education should be available to all, and should not be dependent upon the raising of local funds."

While a detailed examination of the cost of education and the problems associated with it are beyond the scope of the present inquiry, it is clear that the "incidence of taxation" is involved, and that legislative action designed to remedy the defects of the present system will soon become imperative. The Taxation Inquiry Board, however, deems it necessary to make the following comments:

1. In the representations made there is an impressive unanimity of view respecting the following matters:

(a) That the burden of educational costs in the Cities of the Province has become so serious as to cause the gravest concern,

(b) That the raising of the necessary revenue solely by the taxation of real property is discriminatory as between classes composing the community, and that the burden so placed cannot now be justified.

(c) That the duty imposed by law upon the City to pay 100% of the demand of the School Board, whether it is collected or not, has a crippling effect on the finances of the City, and that the power now vested in School Boards to requisition large sums of money from the City, irrespective of the latter's capacity to collect taxes, should be restricted.

(d) That the Provincial Government is primarily responsible for education, and that its delegation of the financial burden to the Municipality to the extent of over 90% is an inequitable division of that burden.

(e) That the Provincial Government, possessing as it does far wider powers of taxation than those enjoyed by municipalities, should assume a much greater share of the cost of education.

(f) That due to the increasing cost of various social services which real property is now compelled to bear, land is being forfeited to the cities to an alarming extent, and the physical

structure upon which the Cities depend so largely for their revenue is steadily shrinking both as to area and revenue-producing capacity.

(g) That the Federal Government should contribute substantially to the cost of technical education.

2. That while the principle of "local autonomy" in respect to educational administration and costs has had in the past a wide acceptance throughout Canada, and while it has become an established practice to impose the burden of cost almost exclusively upon real property, the advanced type of education now provided, particularly in the large urban centres, has resulted in the burden becoming too heavy for real property alone to bear.
3. That as education is a social service of the first magnitude the resources of the local municipality as a whole should be made available so that the financial basis upon which this service rests for support may be broadened and strengthened.
4. That while in the past real property had come to be regarded as a reliable criterion of the wealth of a community, industrial development in various forms has resulted in real property becoming only one form of wealth. The type of wealth usually described as "intangible", and represented largely by documents, is a steadily increasing factor not only in the economic life of a community but in the life of the nation as a whole. It cannot be denied that this type of wealth has so far escaped its fair quota to the cost of education.
5. That among educational authorities the trend of thought is distinctly in favour of greater centralization in respect both to administration and finance.
6. That the equitable distribution of the cost of education as between the three taxing authorities, Dominion, Provincial and Municipal, cannot be fully attained until an agreement as to their respective fields of taxation and their respective obligations in regard to social services has been reached.

EDMONTON PUBLIC SCHOOL BOARD # 7

Comparative Statement of Revenue and Expenditure
for years 1929, 1930, 1931, 1932 and 1933

| <u>1929</u> | <u>Expenditure</u> | | <u>Revenue</u> |
|--|-----------------------|-------------------|-----------------------|
| <u>SALARIES:</u> | | | |
| Teachers | \$ 778,025.76 | City Levy | \$1,258,000.00 |
| Caretakers | 69,500.55 | Govt. Grants | 78,591.47 |
| Administration | 32,426.70 | Non Resident Fees | 15,238.51 |
| Medical Dept. | 24,309.91 | Sundries | 9,645.90 |
| Stenographers | 2,164.10 | Deficit | 3,360.25 |
| | 906,427.02 | | |
| Sundries | 184,701.21 | | |
| Debenture Redemption Interest and Sinking Fund | 273,707.90 | | |
| <u>TOTALS</u> | <u>\$1,364,836.13</u> | | <u>\$1,364,836.13</u> |

| <u>1930</u> | <u>Expenditure</u> | <u>Revenue</u> |
|-------------------|-----------------------|-----------------------------|
| <u>SALARIES</u> | | |
| Teachers | \$ 836,648.97 | City Levy \$1,322,000.00 |
| Caretakers | 69,579.61 | Govt. Grants 89,200.00 |
| Administration | 32,106.79 | Non Resident Fees 16,524.44 |
| Medical Dept. | 25,864.96 | Sundries 10,122.94 |
| Financial Charges | 276,525.27 | |
| Sundries | 174,830.33 | |
| Surplus | 22,361.45 | |
| <u>TOTALS</u> | <u>\$1,437,917.38</u> | <u>\$1,437,917.38</u> |

| | | |
|-------------------|-----------------------|-----------------------------|
| <u>1931</u> | | |
| <u>SALARIES</u> | | |
| Teachers | \$ 872,915.32 | City Levy \$1,326,247.00 |
| Caretakers | 71,073.24 | Govt. Grants 91,400.00 |
| Administration | 38,197.17 | Non Resident Fees 18,123.23 |
| Medical Dept. | 27,477.56 | Transfer Net |
| | | Revenue Surplus 22,000.00 |
| Financial Charges | 1,009,663.29 | Transfer Sinking |
| Sundries | 282,925.24 | Fund Surplus 10,000.00 |
| | 168,972.85 | Sundries 3,988.58 |
| Surplus | 1,461,531.38 | |
| | 10,197.43 | |
| <u>TOTALS</u> | <u>\$1,471,758.81</u> | <u>\$1,471,758.81</u> |

| | | |
|-------------------|-----------------------|-------------------------------|
| <u>1932</u> | | |
| <u>SALARIES</u> | | |
| Teachers | \$ 925,127.93 | City Levy \$1,326,247.00 |
| Caretakers | 72,280.73 | Govt. Grants 91,500.00 |
| Administration | 37,131.01 | Non Resident Fees 16,383.82 |
| Medical Dept. | 27,855.30 | Transfer Surplus 10,000.00 |
| | | Sundries 2,939.46 |
| Financial Charges | 1,062,394.97 | Salary contribution to |
| Sundries | 292,937.18 | Unemployment Relief 66,233.29 |
| | 145,790.02 | |
| Surplus | 1,501,122.17 | |
| | 12,181.40 | |
| <u>TOTALS</u> | <u>\$1,513,303.57</u> | <u>\$1,513,303.57</u> |

| <u>1933</u> | <u>Expenditure</u> | <u>Revenue</u> |
|-------------------|-----------------------|-------------------------------|
| <u>SALARIES</u> | | |
| Teachers | \$ 941,353.93 | City Levy \$1,317,500.00 |
| Caretakers | 72,147.50 | Govt. Grants 90,000.00 |
| Administration | 42,835.17 | Non Resident Fees 14,518.42 |
| Medical Dept. | 31,927.59 | Sundries 2,960.10 |
| | | Salary Contribution to |
| | | Unemployment Relief 87,080.41 |
| | 1,088,264.19 | |
| Financial Charges | 288,645.44 | |
| Sundries | 125,344.85 | |
| | 1,502,254.48 | |
| Surplus | 9,902.45 | |
| <u>TOTALS</u> | <u>\$1,512,156.93</u> | <u>\$1,512,156.93</u> |

SALARIES

| | | | |
|--------|---------------|--------------------------|--------------|
| / 1929 | \$ 906,427.02 | | |
| 1930 | 964,200.33 | increase over 1929 | \$ 57,773.31 |
| 1931 | 1,009,663.29 | " " 1929 | 100,235.27 |
| 1932 | 1,062,394.97 | " " 1929 | 155,967.95 |
| | | less contribution-relief | 66,233.29 |
| | | | 89,734.66 |
| 1933 | 1,088,264.19 | increase over 1929 | 181,837.17 |
| | | less contribution-relief | 87,080.41 |
| | | | 94,756.76 |

| | | | | | |
|--------------------|--------|--------|--------|--------|--------|
| AVERAGE ENROLMENT: | 1929 | 1930 | 1931 | 1932 | 1933 |
| | 14,687 | 15,188 | 15,707 | 15,792 | 15,727 |
| TEACHERS | | | 454 | 461 | 455 |

STATEMENT OF GROSS EXPENDITURE AND PROVINCIAL
GOVERNMENT GRANTS FOR YEARS 1929 to 1933

| <u>YEAR</u> | <u>GROSS EXPENDITURE</u> | <u>GOVERNMENT GRANTS</u> | |
|-------------|--------------------------|--------------------------|------------------------------------|
| | | <u>Amount</u> | <u>Percent. to Expenditure</u> |
| 1929 | \$ 1,364,836.13 | \$ 84,288.92 | 6.3% |
| 1930 | 1,415,255.93 | 90,232.82 | 6.375% |
| 1931 | 1,461,561.38 | 94,887.48 | 6.5% |
| 1932 | 1,501,122.17 | 101,906.42 | 6.79% |
| 1933 | 1,502,254.48 | 96,606.51 | 6.43% |

CALGARY PUBLIC SCHOOL BOARD

Comparative Statement of Revenue and Expenditure
for years 1931, 1932 and 1933

| <u>1931</u> | <u>Expenditure</u> | <u>Revenue</u> | |
|-------------------|-----------------------|----------------|-----------------------|
| <u>SALARIES</u> | | | |
| Teachers | \$ 879,581.21 | City Levy | \$1,068,750.00 |
| Janitors | 85,836.55 | Balance due | |
| Medical Dept. | 31,712.86 | from City | 356,250.00 |
| Workmen | 20,940.70 | Govt. Grants | 99,217.40 |
| Administration | 34,519.95 | Sundries | 20,217.13 |
| | | Cr. Balance | 53,388.06 |
| | | | |
| | \$1,052,591.27 | | |
| Financial Charges | 325,132.50 | | |
| Bank Interest | 8,725.23 | | |
| Sundries | 151,990.83 | | |
| Cr. Balance | 40,080.76 | | |
| | | | |
| <u>TOTALS</u> | <u>\$1,578,520.59</u> | | <u>\$1,578,520.59</u> |

| | | | |
|-------------------|----------------|---------------|----------------|
| <u>1932</u> | | | |
| <u>SALARIES</u> | | | |
| Teachers | 856,151.29 | City Levy | 1,025,000.00 |
| Janitors | 82,678.27 | Cr. Balance | 40,080.76 |
| Medical Dept. | 30,469.10 | Govt. Grants | 107,371.27 |
| Workmen | 19,488.52 | Sundries | 21,236.57 |
| Administration | 33,301.59 | Owing by City | 375,000.00 |
| | | | |
| | 1,022,088.77 | | |
| Financial Charges | 336,034.61 | | |
| Bank Interest | 16,089.89 | | |
| Sundries | 129,380.22 | | |
| | | | |
| | \$1,503,593.49 | | |
| Cr. Balance | 65,095.11 | | |
| | | | |
| | \$1,568,688.60 | | \$1,568,688.60 |

CALGARY SCHOOL BOARD

Revenue and Expenditure

| <u>1933</u> | <u>EXPENDITURE</u> | <u>REVENUE</u> | |
|-----------------|--------------------|----------------|----------------|
| <u>SALARIES</u> | | | |
| Teachers | \$ 691,792.83 | City Levy | \$ 818,094.11 |
| Janitors | 72,903.17 | Balance due | |
| Medical Dept. | 23,985.19 | from City | 281,905.89 |
| Workmen | 14,629.40 | Govt. Grants | 103,214.18 |
| Administration | 29,517.52 | Sundries | 24,307.95 |
| | | Credit Balance | 65,095.11 |
| | | | |
| | \$ 832,828.11 | | \$1,292,617.24 |

CALGARY SCHOOL BOARD (Cont.)

Revenue and Expenditure

1933

EXPENDITURES

REVENUE

| | | |
|-------------------|-----------------------|-----------------------|
| | \$ 832,828.11 | \$1,292,617.24 |
| Financial Charges | 307,748.38 | |
| Bank Interest | 2,191.19 | |
| Sundries | 110,749.41 | |
| Credit Balance | 39,100.15 | |
| | <u>\$1,292,617.24</u> | <u>\$1,292,617.24</u> |

GROWTH OF PUBLIC AND HIGH SCHOOLS

Average Monthly Enrolment

| <u>Year</u> | <u>Teachers</u> | <u>Public</u> | <u>High</u> | <u>Total</u> |
|-------------|-----------------|---------------|-------------|--------------|
| 1905 | 25 | 1,004 | 61 | 1,065 |
| 1910 | 80 | 2,856 | 200 | 3,056 |
| 1915 | 206 | 7,398 | 604 | 8,002 |
| 1920 | 319 | 9,258 | 1,079 | 10,337 |
| 1925 | 333 | 10,829 | 1,901 | 12,730 |
| 1930 | 445 | 12,057 | 2,916 | 14,973 |
| 1931 | 450 | 11,871 | 3,361 | 15,232 |
| 1932 | 449 | 11,551 | 3,722 | 15,273 |
| 1933 | 429 | 11,274 | 3,913 | 15,187 |

Permanent Employees of the Calgary School Board

| | |
|----------------------|------------|
| Public Schools | 313 |
| High Schools | 116 |
| Attendance Officer | 1 |
| Medical Department | 15 |
| Building Department | 7 |
| Janitors | 56 |
| Administrative Staff | 13 |
| | <u>521</u> |
| Total | <u>521</u> |

CALGARY PUBLIC SCHOOL BOARD

PROVINCIAL GOVERNMENT GRANTS TO CALGARY SCHOOL BOARD

| | |
|------|--------------|
| 1925 | \$ 63,988.15 |
| 1926 | 65,116.37 |
| 1927 | 71,673.62 |
| 1928 | 76,305.96 |
| 1929 | 79,947.92 |
| 1930 | 99,226.68 |
| 1931 | 96,643.36 |
| 1932 | 104,023.86 |
| 1933 | 103,214.18 |
| 1934 | 96,920.76 |

Increase in amount received is due to increased enrolment.

12. TAX EXEMPTIONS

An analysis of the variety of properties particularly in the Cities of Edmonton and Calgary now exempt from taxation, reveals a situation that invites the gravest consideration on the part of the three taxing authorities. Particulars of these exemptions are stated below.

City of Edmonton. 1933.

| <u>Owner</u> | <u>Land</u> | <u>Building</u> | <u>Total</u> |
|--------------------------|---------------------|---------------------|---------------------|
| Federal Government | \$ 596,380 | \$ 1,575,900 | \$ 2,172,280 |
| Provincial " | 655,140 | 2,468,920 | 3,124,060 |
| Churches | 325,120 | 769,000 | 1,094,120 |
| Colleges, Hospitals Etc. | 1,198,565 | 4,743,520 | 5,942,085 |
| Public Schools | 530,700 | 2,229,360 | 2,760,060 |
| Separate Schools | 123,330 | 231,700 | 355,030 |
| Cemeteries | 93,620 | 60,000 | 153,620 |
| City of Edmonton | 1,942,640 | 1,118,630 | 3,061,270 |
| Totals | \$ 5,465,495 | \$13,197,030 | \$18,662,525 |

Tax Exemption for Churches.

| | | | |
|----------------|-----------|------------|------------|
| Anglican | \$ 38,280 | \$ 105,600 | \$ 143,880 |
| Baptist | 46,220 | 67,200 | 113,420 |
| Presbyterian | 20,900 | 105,000 | 125,900 |
| Roman Catholic | 49,330 | 153,600 | 202,930 |
| United | 105,470 | 219,700 | 325,170 |
| All others | 65,500 | 117,900 | 183,400 |

It will be noticed that the exemptions of \$18,662,525 amounts roughly to one-third of the 1934 total assessment of \$56,414,645.

In the brief submitted on behalf of the City by Mr. Garside the following statement is made:

"That the question of exemptions of property from taxation, whether Provincial or local, be considered from the viewpoint of certain classes of exemption being improper, (a) because adequate provision, especially in education, is provided by municipal governments, and (b) as to area of land exempted, both in regard to church and school accommodation. Exemptions from taxation constitutes a bonus, and to the extent of the exemption must be absorbed by the public at large."

In the 1921 Report on Assessment and Taxation by the late Commissioner C. J. Yorath, the following comment on exemptions is made:

"It has been customary to exempt from taxation church property and that of schools, colleges and other organizations assumed to be doing a public service. The only ground for absolute exemption from taxation is absolute public service. In the case of Provincial and Federal Government property, it would appear to be only reasonable that it should pay taxation to the municipality in which it is located, in order that the burden can be more evenly distributed over the Province and the Dominion respectively."

Among Mr. Yorath's recommendations are the following:

- (1) That application be made to the Provincial Government for power to assess Provincial property within the City.
- (2) That the law be amended which will give the City power to assess University property for taxation so that the taxes on this institution shall be borne by the whole of the Province and not the City of Edmonton alone.

- (3) That application be made to the Provincial Government to amend the City Charter excluding all properties of churches, institutions, colleges and hospitals, from the list of properties exempt from taxation.

During the discussion following the submission of the City of Edmonton brief, reference was made to the exemptions enjoyed by the Provincial Government in respect to the business enterprises of the government carried on in the City, and to the prevailing sense of injustice that existed as a result thereof.

Attention was also called to the fact that in Great Britain exemption from taxation of property was extremely rare. Churches are not exempt, and even the seat of Government at Westminster is subject to assessment and taxation.

Exemption of Public Utilities.

As at December 31, 1933 the debentures outstanding in respect to the City's Public Utilities amounted to \$6,943,777.21, and the Sinking Fund on hand at the same date was \$2,003,666.19. The original capital indebtedness was \$13,000,000. After the deduction of depreciation, operating expenses, interest and Sinking Fund, a profit of \$750,363 was turned over to the City for the relief of taxation.

While no serious objection can be taken to the practice of the City in excluding its public utilities from its assessment structure, it is clear that in terms of mill rates the relative cost of education to the total levy would be more obvious to the general public by their inclusion, and a better criterion of the actual assets of the City available for taxation purposes would be established. It would also have the effect of broadening the basis of taxation and, in certain circumstances, result in reduced mill rates.

In the case of exempted properties which at present make no contribution to the revenue of the City, their inclusion in the City's assessment structure would result in the further broadening of the basis, and in a proportionate reduction in the mill rate.

CITY OF CALGARY.

Summary of Exemptions - 1934.

| <u>Owner</u> | <u>Land</u> | <u>Buildings</u> <u>100%</u> | <u>Total</u> |
|--|---------------------|---------------------------------|----------------------|
| C.P.R. | \$ 768,675 | \$ 5,194,500 | \$ 5,963,175 |
| C.N.R. | --- | 211,425 | 211,425 |
| Dominion Government | 192,076 | 3,107,480 | 3,299,556 |
| Provincial Government | 255,055 | 1,778,263 | 2,033,318 |
| Public Schools | 460,805 | 3,627,414 | 4,088,219 |
| Separate Schools | 68,420 | 425,650 | 494,070 |
| Other Schools | 24,820 | 98,900 | 123,720 |
| Churches | 328,768 | 1,493,279 | 1,822,047 |
| Salvation Army and Holy Cross Hospitals and King Homes | 48,160 | 600,650 | 648,810 |
| Y.M.C.A. & Y.W.C.A. | 28,650 | 126,000 | 154,650 |
| Canadian Legion | --- | 68,000 | 68,000 |
| Part exemptions on Industries | --- | 2,552,160 | 2,552,160 |
| Sundries | 5,025 | 10,350 | 15,375 |
| | <u>\$ 2,180,454</u> | <u>\$ 19,294,071</u> | <u>\$ 21,474,525</u> |

CITY OF LETHBRIDGE:

The assessed value of exempted property in this City amounts roughly to \$4,000,000, and in his brief Mayor Barrowman makes the following statements:

"That compulsory service of fire, police, street lighting

and health protection is rendered to the Provincial Government by the City for all government buildings, all of which are exempt from City taxation and licenses, including such government revenue-producing business as liquor stores, telephone offices and Court House."

An examination of the data in respect to exemptions now under review cannot but lead to the conclusion that, in relation to the total assessment of real property in the Cities mentioned, the exemptions are out of proportion to the total assessment.

13. BUSINESS ASSESSMENT.

CITIES.

In the City of Edmonton the Business Tax was first imposed in 1918, and is based on the rental value of the premises assessed. The tax is graded from 6% to 25% of the rental value, and is classified as follows:

| | |
|------------------------------------|-----|
| Factories and workshops | 6% |
| Retail Stores, Real Estate Agents | |
| Insurance Agents etc., | 10% |
| Wholesale Merchants, Doctors, | |
| Lawyers, Trust Companies, etc. | 15% |
| Banks, Railway & Express Companies | 25% |

The Revenue derived by the City from this tax in 1933 was \$276,238.19. In the same year Calgary's revenue from this tax amounted to \$271,017.80.

In all the Cities in the Province a Business Tax is in force and is based on rental value. The rates in respect to the various Cities are as follows:

| | |
|--------------|-------------|
| Calgary | 8% |
| Edmonton | 6% to 25% |
| Drumheller | 8% |
| Lethbridge | 10% |
| Medicine Hat | 10% |
| Red Deer | 4½% to 15¼% |
| Wetaskiwin | 10% to 25% |

In a brief submitted to the Board by Mr. R. R. Nichol on behalf of the Canadian National Railways, its Express and Telegraph organizations, covering the question of the Business Tax in Alberta Cities, objection is taken to the "unjust discrimination in the levying of a tax at varying percentages of levy in respect to different classes of business."

The brief contains among others the following statements:

"There is no justification for assessing a railway roundhouse, workshops and repair shops at 25% when a rate of 6% is effective covering manufacturers' workshops, repair shops, etc., when operated by persons other than a railway."

"When an assessment has been determined, whether for land, buildings or business, a uniform rate of taxation should apply, and there is nothing to justify a discriminatory varying rate of taxation."

"The Cities of Calgary, Drumheller, Lethbridge and Medicine Hat apply a uniform rate of taxation."

"A reference to the statutes of other Provinces would indicate that a uniform rate of taxation in respect to business assessment is general in Ontario."

"The Business Tax in Saskatchewan is based on the general municipal rate of levy applied to land and buildings."

"A uniform rate of levy in respect to the Business Tax is also applied in the Province of Manitoba."

"There is no justification for a tax rate other than a uniform rate and not exceeding the general municipal rate of levy."

"As an illustration of the fact that this tax has no relation to business being done, in Edmonton the main passenger and freight terminal (old Canadian Northern Yards) is more than ample to take care of all the business traffic of Edmonton. On the other hand, the Company maintains the North Yards (Calder, G.T.P.) for freight traffic, which has no relation to business done in Edmonton, but the Company is called upon to

pay Business Tax covering all land occupied, all sorting tracks and all the buildings located thereon in the sum of \$6,625 (1934 taxes)."

"It is just as reasonable to have one City Act for use in all Cities as to have the Town Act applicable to all Towns in the Province."

It was pointed out to the Board that the premises subject to the rate of 25% of rental value are usually located where land assessments are high, and where values are inflated for assessment purposes, and the following figures in respect to the assessment and taxation of a bank premises in Edmonton were submitted.

| | |
|--|-----------------|
| Land assessment, 50' x 150' at \$2700 per ft. frontage | \$135,000. |
| Building assessment, 60% of value | <u>175,000.</u> |
| Total | \$310,000. |
| 1934 rate of taxation at 64 mills | \$ 19,840. |
| Assessed rental value - \$13,500, tax 25% | <u>3,375.</u> |
| Total Taxes (excluding L.I. tax) | \$ 23,215. |

It will be noticed that the total taxes paid by this bank in respect to the premises referred to amount to a sum little short of 8% of its assessed value.

The imposition of a Business Tax was no doubt primarily designed to obtain for the City a share of the profits derived from various business enterprises carried on within the limits of the City. It is doubtful, however, if the tax so imposed bears much, if any, relation to the profits earned. It has to be recognized that in many instances the incidence of this tax is such that it cannot be passed on, but is borne directly by the party subject to this impost.

While the Board is of opinion that a Business Tax, equitably imposed, bears a closer relation to the principle of "ability to pay" than taxation based on "capital values", it questions the soundness of the principle expressed in varying rates of taxation applied to different classes of business.

14. URBAN RENTAL TAX.

Among the various suggestions made to the Board in regard to the problem of relieving the burden of taxation on real property, and of securing a broader basis of taxation to meet the financial demands resulting from municipal obligations of costly social services, a Rental Tax on urban homes has been proposed as one of several methods by which that object can be attained.

In each of the cities in the Province a Business Tax, based on rental values, with varying rates, and payable by the occupier, whether owner or renter, has been in force for many years. In only one city, however, that of Medicine Hat, is there imposed a Rental Tax both on business properties and residential properties. In the latter city the tax is imposed on occupiers of homes, and is paid both by owners and renters alike. The tax was first imposed in 1920, and after 14 years experience has been found to be productive and equitable. The tax is payable monthly, in the same manner as utility accounts, and is payable only when the property remains occupied. The rate imposed is 10% of the rental value.

The following is a copy of the City of Medicine Hat By-Law No. 579, providing for collection of Rental Tax:

1. "There shall be and there is hereby assessed, levied or charged against each householder in the City, a sum of ten per centum per annum of the actual rental value of the premises occupied by such householder, which assessment, levy or charge shall be payable in monthly instalments at the time or times and in the same manner as accounts due to the City for gas, water or electric light service.
 - (a) "Householder" shall mean the occupant of any dwelling house or part thereof whether as owner or tenant, and shall include a person occupying a room or rooms for residential purposes in any apartment or business block.
 - (b) Any such assessment, levy or charge shall be collected by action or distraint, and during the period of default in payment the City Treasurer may disconnect or discontinue the water, gas or electricity services to the premises of the person in default.
2. The rental assessment may be made in a separate roll or at a different time from the general assessment roll of the City. The rental assessment roll may be returned or reported upon by the assessor at a different time from the general assessment. For the purpose of this clause the two assessments may be treated as separate and distinct. Notice of appeal shall be given within ten days from the date of the notice of assessment. In all other respects the inspection of the rental tax roll, the procedure for and at appeals and for the preparation of a tax roll based thereon shall be the same as by law are provided for the general assessment.
3. The first payment of the rental tax shall become due and owing at the expiration of thirty days from the final passing of this by-law."

The following is quoted from the recent Report of Mr. Thomas Bradshaw on the City of Winnipeg Tax System.

"It has been shown that while in theory taxes on business and rented residential property are supposed to be capable of being passed on by the property owners to other sections of the community, nevertheless this is not the case in actual practice, especially in times of business depression."

Among Mr. Bradshaw's recommendations to the City of Winnipeg is the following:

Tax on rents of rented homes and apartments:

"As previously stated, it by no means follows that the owner

of rented premises is able to pass the tax on to the tenants, and to that extent the tenant is escaping his proper share of taxation. Again, the tax in respect of apartment blocks constitutes a very small tax when divided up on a suite unit basis, being little more than half what each family would pay if occupying a house. No statistics are available of the total annual rental of rented houses and apartments, but it might be assumed that there are:

9000 suites average rental of \$400 or\$ 3,600,000
 8000 houses average rental of \$300 or\$ 2,400,000
 Total per annum....\$ 6,000,000

"A 10% tax would yield about \$600,000. The details of assessment and collection of such a tax would require to be worked out very carefully, in order to avoid evasion or excessive administration costs. At the hearings it was urged that such a tax be imposed, in as much as the City does not exact a personal income tax and that those occupying apartments and rented houses do not contribute directly in any form whatever to the general revenues of the city, notwithstanding that they enjoy all the services, police and fire protection, parks, educational facilities, etc."

In a brief submitted to the Board by Mr. W. S. Campbell, of Edmonton, the following statements are made:

"Each year the number of taxpayers (in Edmonton) are decreasing, until today there are not more than 18,000."

"The objective to aim at is one in which taxation will be distributed equitably, in which lands and homes will find their way back into the hands of the taxpayer, and in which encouragement will be given to build homes, thereby increasing employment and purchasing power."

"It is fair to say that there is at least one employed non-taxpayer (in Edmonton) for every one who is a taxpayer."

"It has been argued that the tenant pays taxes in the form of rent, but I think that on analysis it will be found that there are not 5% of the rented homes where the revenue will pay taxes, insurance, depreciation, and at the same time pay 3% on the owner's investment."

While it should be noted that Mr. Bradshaw's recommendation of a rental tax does not contemplate the taxation of rental values of homes occupied by owners, the broader application of the principle by the City of Medicine Hat appears to be warranted, and is one method by which a broadening of the basis of taxation can be effected.

The following data in respect to the Cities of Calgary and Edmonton may assist in forming a judgment on the question at issue:

EDMONTON AND CALGARY DATA IN RESPECT TO RENTAL TAX.

1934

| <u>No. of Houses</u> | <u>Edmonton</u> | <u>Calgary</u> |
|-------------------------------|-----------------|----------------|
| Brick and Veneer | 931 | 1,089 |
| Stone | 22 | 61 |
| Wood | 14,115 | 13,308 |
| Stucco | 882 | 1,717 |
| Cement Bricks | 26 | 66 |
| | <u>15,976</u> | <u>16,241</u> |
| <u>Type of Dwelling Units</u> | | |
| Apartments and Flats | 2,915 | 3,237 |
| Row or Terrace | 62 | 152 |
| Single Houses | 14,950 | 15,061 |
| Semi-detached | 409 | 291 |
| | <u>18,336</u> | <u>18,741</u> |

If it is assumed that 17,000 dwelling units yield an average rental of \$25.00 per month, or \$300.00 per year, the gross rental value would amount to \$5,100,000.00.

In view of the fact that the tax now being reviewed is more of the nature of an "Occupiers' Tax" than that of a "Rental Tax", the question as to whether or not the tenant already pays his share of taxation through the medium of his rent ceases to be a subject of debate.

15. GENERAL OBSERVATIONS

A perusal of the chapters contained in this Preliminary Report will indicate that the present study of matters relating to provincial and municipal taxation is not complete, and that further analysis of a variety of related subjects is necessary before final recommendations can be submitted.

Attention has already been given to such matters as the Division of Taxation as between the three taxing authorities, Principles of Local Taxation, The Supplementary Revenue Tax, The Wild Lands Tax, Dominion and Provincial Income Tax, Municipal Assessments, Assessment and Taxation in the Cities of Calgary and Edmonton, Problems of City School Finance, and other subjects related to taxation in the larger urban centres.

Among the subjects requiring further study are the following:

1. Rural taxation in many phases.
2. Taxation of Mines and Minerals.
3. Fuel Oil Taxation.
4. Taxation of Motor Vehicles.
5. Taxation of Corporations.
6. The Inheritance Tax.
7. The Unearned Increment Tax.
8. Railway Taxation.
9. The Amusement Tax.
10. Trade Licenses.
11. Taxation of Electric Power Companies.
12. Taxation under The Pipe Line Taxation Act.

It will be noted in the Summary of Representations that the issues raised are varied and complex, and that the remedies suggested for the correction of existing defects in the present tax system are many.

Due largely to the increasing costs of social services, particularly in connection with unemployment relief, together with a marked shrinkage of public revenues, the equilibrium of the tax structure, both provincial and municipal, has been gravely disturbed, and inequalities in the incidence of taxation have become obvious.

Not only is the tax structure of urban municipalities at present strained to breaking point, but the tax structure of the Province itself is lacking in productiveness, and quite inadequate to meet, through normal channels of taxation, its own obligations.

The Board has reached the conclusion that the burden of unemployment relief is of such magnitude that it should properly be borne by the Dominion Government, and it believes that, if this were done, the remaining problems of provincial and municipal taxation would be less difficult to solve. It is therefore recommended that steps be taken to have the question of responsibility as to the cost of unemployment relief finally settled.

Pending the completion of the work delegated to the Board, attention is directed to a number of conclusions already reached.

1. That a more equitable distribution of the tax burden among the three taxing authorities and a clearer definition of their respective responsibilities is an urgent necessity.
2. That the diminishing productive value of real property for purposes of taxation, and the inadequacy of present sources of provincial revenue to meet increasing costs of social services, warrant a revision of Income Tax rates, and an investigation into the possibilities of a Sales Tax or a Turnover Tax.
3. That one Income Tax collected by the Dominion Government, with a substantial portion of revenue derived therefrom returned to the Province, would in many respects be preferable to the present Provincial Income Tax.
4. That a Public Revenue Act be substituted for the present Supplementary Revenue Tax Act, and that the rate of taxation imposed there-

under should bear a close relation to the cost of certain services of which municipalities are now or may later be relieved.

5. That The Wild Lands Tax Act be abolished.

6. That in order to secure greater uniformity of methods and principles of assessment in urban municipalities, a larger measure of central supervision is necessary.

7. That Real Property now bears too great a burden of municipal taxation and relief in this respect should not be delayed, and that such proportion of the cost of services other than those beneficial to real property and properly chargeable to municipalities, should be borne by the community as a whole.

8. That in respect to social services that are preponderantly national in character, the cost should be largely borne by the superior taxing authorities.

9. That in respect to the problems of school finance, the need of greater centralization, both as to administration and finance, is evident, and that the power vested in School Boards enabling them to demand from Municipal Councils the full amount of their annual requirements, without due regard to the financial exigencies of the municipality affected, is in principle unsound.

10. That in respect to tax exemptions in the cities of the province and their relation to the total assessment therein, a reduction of exemptions appears to be imperative.

11. That a more uniform system of taxation in respect to the Business Tax in the cities of the Province is desirable.

12. That a progressive policy should be adopted whereby the relation between taxation and productivity becomes a more determining factor in the assessment structure of all taxing authorities.

Respectfully submitted,

J. F. Percival, Chairman
James C. Thompson,
W. D. Spence,
J. Gair,
J. J. Duggan

Edmonton, March 4th, 1935.

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